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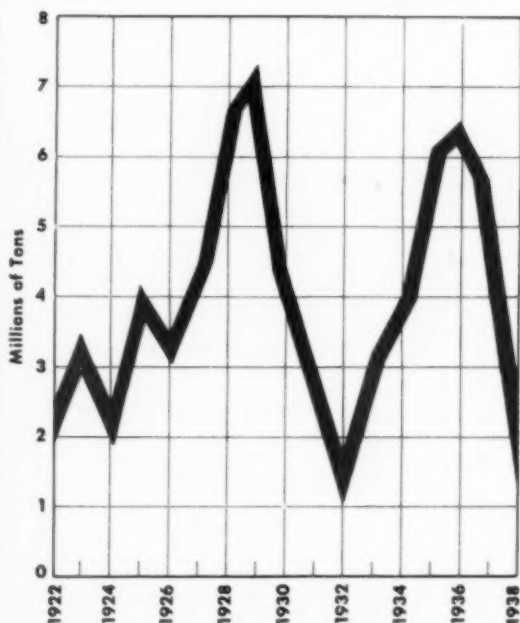
# BUSINESS WEEK

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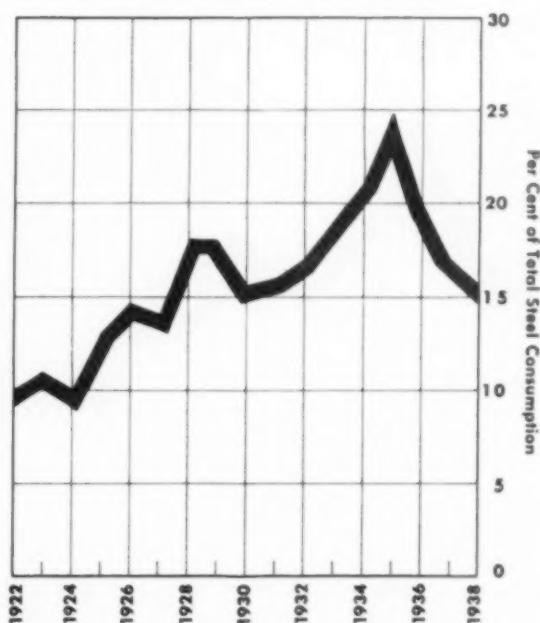
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## AUTO INDUSTRY BUYS LESS STEEL

On a Tonnage Basis



On a Percentage Basis



Data: Iron Age

One out of every six tons of steel sold goes into an automobile. But with building and miscellaneous takings on the rise, "Pittsburgh" has become less dependent on "Detroit"—statistically. Peak auto con-

sumption—7,300,000 tons—was in 1929. Peak percentage, when one out of every four tons made went into a motor vehicle, was 1935. But steel prices, when auto makers buy, have a way of shrinking.

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"Auto and Steel and Prices," page 17.

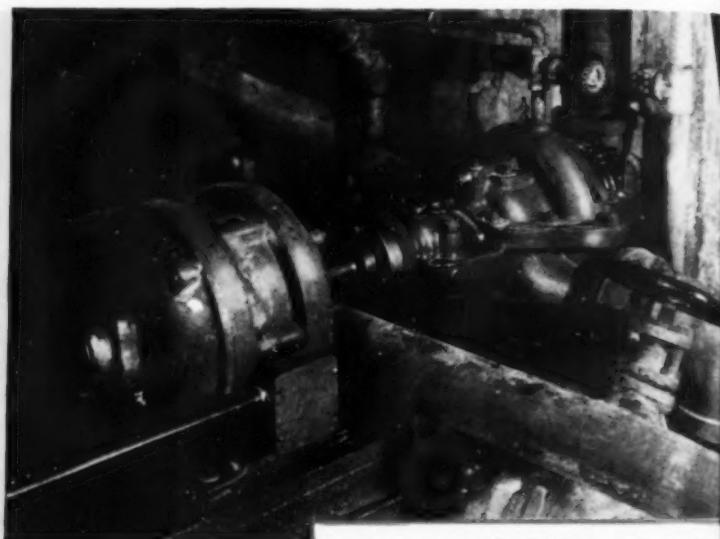
# SAVES \$200

## A MONTH IN 3 WAY SAVING

*Another true case history  
from the Allis-Chalmers  
files that proves  
TO BUY THE EQUIPMENT  
THAT PAYS FOR ITSELF!*

**Reiser Co., Inc., Replaces Old Pump with  
New, Modern Allis-Chalmers Pump!  
Saves Three Ways...On Power Bill...  
On Water Bill...On Product Reclaimed!**

**GET THE WHOLE STORY ON THE BIG  
SAVINGS THAT ALLIS-CHALMERS CAN  
GET FOR YOU . . . WITH THE  
EQUIPMENT THAT PAYS FOR ITSELF!**



THIS IS THE PUMP THAT IS saving \$200 a month in the paper mill of the Rieser Co., Inc., Shamokin, Pennsylvania. The 3-way saving . . . in power, water, and reclaimed pulp . . . will more than cover the cost of the pump!

When your manufacturing process wastes some of your raw material, you'll try to reclaim that material if you possibly can! And when an Allis-Chalmers pump can help you do it . . . can get you savings in power and in water at the same time . . . you'll put it to work at once to get that triple saving!

That's exactly what happened in the plant of the Rieser Co., Inc., paper manufacturers, at Shamokin, Pa. As in all paper mills, pulp is mixed with water, sprayed on an endless felt blanket, and processed into paper. The overflow from the blanket is picked up by a pump and raised to the "Save-All Screen" in the top of the mill where the pulp is then reclaimed.

But the old pump at the Rieser Co. . .

good enough some years ago, but now outdated . . . failed to deliver all the water to the "Save-All Screen." About 250 gpm of water and fine pulp was going down the sewer! That was a waste that had to be stopped! And it was stopped . . . with a new, modern Allis-Chalmers pump!

### **Doubles Amount of Pulp Reclaimed!**

Actually, the amount of pulp reclaimed by the "Save-All Screen" has been doubled since the new pump was installed! But that isn't the only saving! The new pump is larger . . . but it uses no more power, pumping 700 gpm for the same cost as 450 gpm.

No longer is water, bought from the local water company, wasted; it's all usable. And this three-way saving . . . power, water, reclaimed pulp...amounts

to \$200 a month . . . \$2400 a year!

That's a real accomplishment! But it's not unusual at Allis-Chalmers! For in factories all over the country, Allis-Chalmers equipment is piling up savings . . . big savings that more than pay for the cost of the equipment!

Learn the whole story of why men responsible for production in their plants are switching to Allis-Chalmers. There's an Allis-Chalmers representative . . . trained engineer . . . near you. Let him show you how to cut costs . . . how to save money . . . in your plant . . . with the equipment that pays for itself!

### **PRODUCTS ENGINEERED TO PAY FOR THEMSELVES**

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



# ALLIS-CHALMERS

MILWAUKEE • WISCONSIN

BIG BUSINESS—NO. 17



## Building Speaks in Billions

**D**ESPITE some improvement in recent months, the building industry is still in a severely depressed state, as it has been for nearly a decade.

More than 79 billion dollars was spent in this country in the six years from 1925 through 1930 for construction and modernization of homes, factories, commercial properties and public works. The past six years, however, show a drop of nearly 50%, with construction expenditures totalling only 40 billions, despite the fact that construction undertaken by the Federal Government had increased nearly six-fold.

The situation has been especially serious in the case of home building. From 1933 through 1938 total spending for urban home construction was less than 5 billion dollars, a shrinkage of nearly 80 per cent from the six years ending with 1930.

↑ This stagnation affects the entire national welfare.

Between 1920 and 1930, more than 6,500,000 workers were employed in the construction industry and in producing materials used in building. Since 1931, nearly half of all workers in the building and related trades have been unemployed, to the injury of every form of business activity.

The need for building exists. Funds with which to finance new construction are readily available. The missing element is confidence. Only when people have confidence in the security of their jobs and incomes are they willing to spend and borrow money for new homes. Only when confidence in future profit possibilities exists will corporations and private investors launch commercial building projects.

*As bankers for industry, and as trustee for the funds of others,  
it is part of our responsibility to contribute something to a  
better understanding of the facts about private business.*

## BANK OF NEW YORK

48 Wall Street—New York

UPTOWN OFFICE: MADISON AVENUE AT 63RD STREET

Established 1784

Personal Trusts Since 1830



# IF YOU WANT TONNAGE

**Advanced construction features put  
Hewitt belts ahead of the field . . .**



● Each year, HEWITT Conveyor Belts are establishing new tonnage records to prove their extra sturdiness, ruggedness, and ability to "take" punishing service. A few months ago, one of the world's most modernly equipped limestone plants reported the handling of 20,000,000 tons by a single HEWITT Conveyor Belt, still in service! Handling costs have been cut to a new low. Such records are proof of the skilled workmanship behind every HEWITT Conveyor Belt we put into service.

## IN YOUR PLANT

There is a near-by HEWITT distributor who would welcome the chance to tell you of some of the tonnage records established by HEWITT in plants like yours. He's listed in the classified telephone directories of industrial centers under "Rubber Goods" or "Belting."

**HEWITT  
CONVEYOR BELTS**  
MALTESE CROSS  
CIRCLE MONARK  
AJAX HI-DEGREE

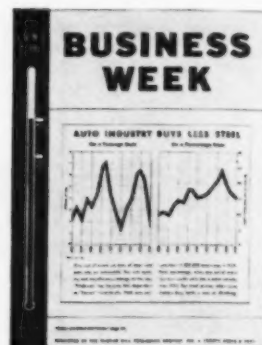
**1859** For 80 years, HEWITT Brands have been recognized as outstanding examples of advanced research and exceptional craftsmanship. **1939**

# HEWITT

**RUBBER CORPORATION, BUFFALO, N. Y.**

**HOSE • CONVEYOR AND TRANSMISSION BELTS • PACKING**

## THIS BUSINESS WEEK



One out of every six tons of steel sold still goes into an automobile, but as the two simple charts on this week's **BUSINESS WEEK** cover show, the auto industry has been buying less steel these past few years, both on a tonnage and percentage basis. This week, beneath its apparently healthy exterior, the industry was suffering from an occupational disease—"volume-mania." In the story of page 17, "Autos and Steel and Prices," there's a complete diagnosis, along with a history of the case.

### Congress

WHAT'S GOING TO HAPPEN in Congress before (and after) July 15 is detailed in the story, "What Congress Will and Won't Do This Session," on page 15—a legislative summary broken down to show laws already enacted, those sure to pass, those that are probable, those that are "maybes", and those that haven't got a chance.

### Rented Autos

THE WESTERN RAILROADS weren't going to talk about their new plan until later in the year, but it has leaked out now that, starting Jan. 1, 1940, the railroads will be ready to rent autos to their passengers—for salesmen to use in covering their routes, as well as for vacationists. It isn't the first time the railroads have tried renting autos. The New Haven

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**A McGRAW-HILL**



**PUBLICATION**



started it last year. But the western roads, having the New Haven's experience to work from, are looking for bigger and better results, p. 20.

### Foremen

LABOR UNIONS for the most part think of foremen as being over on the employers' side of the fence. And employers generally consider foremen as part of the management group. But a red-hot rumor came out of Detroit and Cleveland last week that sounded as though foremen themselves weren't so sure. The rumor: That a national labor union of foremen was being organized, and that it would like to become affiliated with the C.I.O.—if the C.I.O. would take them in. The story behind the rumor, and a consideration of the foreman's place in the labor field—page 37.

### Consumers

BUSINESS MEN AND CONSUMERS got together last week in Buffalo for a big Business-Consumer Relations Conference, under the auspices of the National Association of Better Business Bureaus—a meeting which was important not so much for what was accomplished at it, but for the fact that it was held at all. What went on—page 27.

### Peas

THE ACREAGE planted to canning peas in Wisconsin this year—Wisconsin cans one-third of the total pea pack—is going to be the smallest in 17 years, and pea canners and growers are pretty jubilant about it. On page 24, the story of this model of industry coordination which has brought about a crop reduction without the aid of legislation, regulation, or mirrors.

### Sic Transit . . .

CHICAGO'S MAXWELL STREET used to be the main business artery of Chicago's Ghetto. The Negroes and Mexicans have taken over the surrounding district now, but Maxwell Street hasn't changed. There is still the same old confusion of pushcarts and second-hand shops, peddlers, pullers-in, and shoppers looking for bargains and arguments. But now the Maxwell Street Merchants Association has come along with a plan to clean up the district—physically and ethically. The Merchants Association says they're doing it to needle their declining trade—page 26.

### Sugar Rubber

ALLAN RAMSEY WURTELE, a Louisiana plantation owner, has produced synthetic rubber from sugar and turpentine. The details—page 30.

### Autos and FTC

THE FEDERAL TRADE COMMISSION reports to Congress on its investigation of factory-dealers relations in the auto industry. What it found—page 16.

## "They called me the OFFICE BOTTLENECK..."



## UNTIL I FOUND THIS SENSIBLE WAY OUT"

"A DOZEN people milling around... desk piled high... clanging phone... work held up. Yes, I was the bottleneck. I might still be if our printer hadn't tipped me off.

"Keep people informed," he said. "Don't keep them in the dark. Give them complete, detailed, *written* information. Here's the Working Kit of Hammermill Bond. It'll give you some helpful suggestions."

"Helpful? I'll say! That Kit showed me how printed forms settle the who, what, when and where of every job... how a color signal system speeds work... how up-to-date stationery builds good will and sales.

"I'm no bottleneck now. Work flows over my desk swiftly, smoothly, almost automatically. And it all dates back to the day I discovered the Hammermill Bond Working Kit."



### WHAT THE NEW WORKING KIT CAN DO FOR YOU!

1. How to design up-to-date printed forms. 25 checks on form efficiency.
2. How to design a new letterhead, revamp an old one. How printed headings individualize a business.
3. How to have matched stationery... letterheads, forms, envelopes, all with a family resemblance.
4. How to get more sales from your letters. Letterhead check list.
5. How to install a color signal system to speed work and cut errors.
6. How to select envelopes. Envelope styles and sizes.
7. How to get 25 letterheads and forms on good paper for only 1¢ more.

▶ Working Kit of Hammermill Bond is FREE. Attach coupon to your business letterhead and mail now. ◀

# HAMMERMILL BOND



**Send for it!**

Hammermill Paper Company, Erie, Pa.  
Please send, free, the 1939 Working Kit of Hammermill Bond. (Students and outside U.S.—50¢)

Name \_\_\_\_\_ Position \_\_\_\_\_  
(Please attach to your business letterhead) BW-6-10

LOOK FOR THIS WATERMARK  IT IS HAMMERMILL'S WORD OF HONOR TO THE PUBLIC

## SERVICES TO BUSINESS IN NEW YORK STATE...

"The World's Richest Market"

### Example No. 6

"...Incidentally, our collections of checks and drafts on up-state New York points has been greatly facilitated since we followed your suggestion of letting the Marine Midland banks throughout the State handle this for us.

Thanks for the idea.  
Sincerely yours..."



►Many companies have found that the Marine Midland banks situated in 35 trading centers throughout New York State can save them time and money. We will gladly show you how the services of these banks can benefit your business.

## The Marine Midland Trust Company of New York

120 BROADWAY

Member Federal Deposit Insurance Corporation

## NEW BUSINESS

### Making Money

QUAKER OATS Co. will spend \$500,000 to improve its grain storage facilities at Akron, building a concrete storage house with a capacity of 150,000 bushels . . . Copying the methods used in auto, Boeing Aircraft Co. is inaugurating an assembly line system to speed up the manufacture of "flying fortresses" for the Administration's enormous armament program . . . Porter-Cable Machine Co., Syracuse, N. Y., manufacturer of portable and stationary sanding and sawing machines, has bought adjoining land and buildings to add 90,000 sq. ft. . . And A. E. Staley Mfg. Co., Decatur, Ill., will spend \$300,000 to establish a soybean processing plant at Painesville, O.

### What's New?

PLASTICS HAVE INVADDED children's old-fashioned games; Ohio Plastic Co., Frazeysburg, O., makes jackstones molded of bakelite cellulose acetate in a number of colors, so that each jack is easily distinguishable from the others . . . Sperry Shoe Co., New Haven, makes two all-rubber footwear styles for industrial and dairy work; one is a heavy-duty work rubber, the other is a strap bootie, fitting snugly just below the calf; and both have suction-squegee soles, to prevent slipping.

### Our Times

THOMPSON AUTOMATIC ARMS CORP. will issue 300,000 shares of capital stock, to be publicly offered at \$2.75 a share, in order to acquire the assets of Auto-Ordinance Corp., developer and distributor of the Thompson Automatic Submachine Gun ("tommy gun") . . . Woodward Iron Co., Woodward, Ala., is building the world's first air-conditioned blast furnace to learn whether the amount of moisture in the air can be so controlled as to cause more uniformity in the pig iron; Carrier Corp. will install the unit . . . Briggs & Stratton Corp., Milwaukee, manufacturer of small 4-cycle gasoline motors and of automotive parts, has entered the variable speed transmission field by becoming exclusive licensee for the manufacture and sale of the Graham variable speed transmission, which it has manufactured for the past year and a half for Graham Transmissions, Inc. . . . Kaysam Corp. of America, 39 Brook Ave., Passaic, N. J., is marketing six latex syringes in sanitary cartons with transparent windows, so that the customer, without handling the syringe, may examine it thoroughly.

### Food Farrago

BOOTH FISHERIES Co., Chicago, has issued a 30-page book, "Fish and Seafood Cookery," which tells how to prepare fish, and gives a table showing the best

type of preparation for each kind . . . Chr. Hansen's Laboratory, Inc., Little Falls, N. Y., offers a Danish-type junket—a blend of red berry juices and flavors . . . Harold H. Clapp, Inc., baby food manufacturer, has been sold by Johnson & Johnson, drug manufacturer, to American Home Products Corp. (Jersey City), which is both an operating and a holding company with a diversified drug line; H. W. Roden, president of Clapp, will continue in charge.

### Adhibitions

"STRINGY HAIR" or "ropy hair" is a decidedly trite phrase; Admiracion Laboratories makes it vivid by a car card that reads, "For hair that's been abused, Admiracion Oil Shampoo," and there's an illustration of a girl's resentful face, rimmed with two strands of real rope . . . Union Laundry, Newark, N. J., isn't advertising itself in the usual way this month; instead it is using most of its appropriation to urge New Yorkers, northern Jerseyites, and other neighbors to pass this summer at New Jersey seashore or lake resorts.

### Sales Strut

G. M. WHITE, general passenger agent of the Gulf, Mobile & Northern Railroad, has adopted the stores' 1¢ sales method; on Tuesdays, Wednesdays, and Thursdays, when passenger traffic is lowest, anyone who buys a one-way fare to any point on the railroad or on its bus lines can come back home for 1¢ . . . Jacob Ruppert Brewery, leading eastern brewer, is invading the Illinois territory, having appointed Kamm's Beer, Inc., Chicago, as distributor . . . Davison-Paxon, Atlanta department store, sends a hostess to call on new residents and invite them to a store lunch; afterwards they're taken on a tour of the store by a representative of the decoration department—and the result is a large gain in sales . . . H. W. Schloss, vice-president of S. M. Frank Co., smoking pipe manufacturers, says pipe sales on Father's Day, June 18, will set a new high.

### Add What's New?

SOLVENTOL CHEMICAL PRODUCTS, INC., 12001 E. Jefferson Ave., Detroit, offers Solventol, an all-purpose household cleaner that is said to clean without rubbing and without damaging surfaces . . . Bill DeWitt Division, Shoe Form Co., Auburn, N. Y., makes the Rotaree fly-and-lure container, which lets the fisherman keep one hand free; it has a sliding cover, made of Vue-Pak, Monsanto Chemical Co.'s transparent plastic material, and all the eight compartments are visible, and easily reached with one hand.



**"It will pay you  
to move those tanks"**

**T**HE owners of this factory had located their storage tanks, containing volatile oils, naphtha and gasoline, near the oil-boiling section of the plant. The danger of fire communication was great, as the White Fireman\* pointed out. There was no reason why the tanks could not be placed elsewhere on the property, and the White Fireman recommended that they be moved a sufficiently safe distance. He also made a number of other suggestions for reducing the fire hazard, after a careful inspection of the entire plant. By adopting these recommendations, the owners enjoyed greater safety against fire...and earned a lower fire insurance rating. Their saving on their fire insurance premium alone is \$5,000 yearly.

\* THE WHITE FIREMAN symbolizes the loss-prevention engineering service maintained by this Company to the advantage of policyholders. It is available through any North America Agent or your insurance broker.

North America Agents may be found in the Classified Telephone Directories under the name and identifying "Eagle" emblem of



## Insurance Company of North America

PHILADELPHIA



This oldest American fire and marine insurance company and its affiliated companies write practically every form of insurance except life. FOUNDED 1792 LOSSES PAID \$455,000,000





Knee breeches were just going out and long pantaloons were just coming in...when Henry Sands Brooks opened his shop at Catharine and Cherry Streets in 1818. The manners and customs of those days have nothing in common with our Shetland Jackets and Flannel Trousers, Business Suits, Hats or Shoes of today...nothing, that is, but good taste, workmanship to fundamental...over the period of in a business which

This world-famous maker, importer and retailer of men's clothing and furnishings is a client of

**GEARE-MARSTON, INC.**  
ADVERTISING · Philadelphia · New York



*Brooks Brothers,*  
**CLOTHING,**  
**Mens Furnishings, Hats & Shoes**

NEW YORK · BOSTON

MADISON AVENUE CORNER FORTY-FOURTH STREET

NUMBER ONE WALL STREET · NEW YORK

NEWBURY COR. BERKELEY STREET · BOSTON

## WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) —Roosevelt will win the first round of the neutrality battle—and will have about a 3-to-1 chance of ultimate victory for the proposal to end the arms embargo and establish a blanket cash-and-carry policy on all freight to nations designated by the President as belligerents.

The House will follow Rep. Sol Bloom's committee in approving the Hull amendments but then the battle will really begin, for on June 14 the sharply-divided Senate committee resumes hearings, hushed during the royal visit.

Senators Bone, Clark, Nye and La Follette will begin circulation of their "neutrality principles," stating the non-interventionist viewpoint and proposing that trade with belligerents be automatically shut off by a law that permits no exercise of Presidential discretion.

### Threat Might Arouse People

HOWEVER, unless there is an extraordinary change in the situation, you can expect the Roosevelt-Hull proposals to prevail, for the non-interventionists have lost ground since the war clouds in Europe lightened. Those who want to sell goods abroad never relax, but popular opposition, engendered by a new scare in Europe, might help the complete embargo advocates.

Among those Congressmen who oppose the lifting of the present arms embargo, on the ground that such action would simply make an arsenal out of us, are Hamilton Fish, ranking minority member of the House Foreign Affairs Committee; Louis Ludlow, who has proposed a constitutional amendment to let the people vote on whether to go to war; and R. J. Corbett, a Pennsylvania Republican member of the House committee, who favors creation of a neutrality commission to steer this country's course.

### All Sides of the Argument

HULL'S POLICY would remove the anomaly in the present law which prohibits shipment of arms but permits export of materials out of which they are made, as well as all the ordinary necessities of life, in war as in peace.

However, all opponents of Hull's program point out that extension of the cash-and-carry idea in neutrality legislation would stack the cards in favor of Britain and France because they have big navies and big merchant marines.

Advocates of Hull's policy insist, on the other hand, that the law now favors the axis powers, Germany and Italy.

Continuation of export licensing of

arms and munitions, which Hull proposes in combination with repeal of the embargo, is regarded by some strict neutrals, such as Sen. Capper, as actually giving the President the power to discriminate among belligerents by manipulating exports.

### Other Neutrality Provisions

OTHER POINTS in Hull's program aside from the cash-and-carry feature, are regarded by non-interventionists as bait for their support of his program as a whole: prohibition of the entry of American ships into combat areas and restriction of travel in such areas (further defined by Hull only as areas in which there is special danger); transfer to buyers in belligerent nations of title to goods before shipment from U. S.; regu-

lation of solicitations of funds in the United States for aid to belligerents; and prohibition of loans and credits to belligerents.

Isolationists put no faith in stoppage of credit. Belligerent nations may be prevailed on to pay cash as long as it lasts, but by that time American industry would likely have prospered to such an extent from war orders that extension of credit would be the only alternative to collapse of an expanded industry.

### Worry Over Bolivian Deal

ESTABLISHMENT BY Germany of a huge air base in Bolivia revived the question in Washington this week: Where does the Monroe Doctrine begin and end?

There wasn't any answer. Officials of the State, War, and Commerce Departments and of the Civil Aeronautics Authority would do no more than privately express concern over this weighty evidence of Germany's activity in a country which, since our embargo on arms during the Chaco war, has given important concessions to the Germans covering oil, rubber, gold, vegetable oils and other materials in return for armament and manufactured goods.

### No Federal Plane Factory

THE WAR DEPARTMENT is playing possum with a proposal advanced by Sen. Lister Hill of the Senate Military Affairs Committee to spend \$25,000,000 for a "military aircraft engineering center" which would include a government airplane factory.

The department long ago promised the industry there would be no "yardstick" plant, which it regards as unnecessary in view of profit limitation and rigorous inspection. But the department is afraid that open opposition to Hill's ideas might hurt appropriations, yet to come, for its 6,000 plane program and educational orders for munitions.

### Ship Program Lags

AFTER A LAPSE of several months in ordering new ship construction, the Maritime Commission is back in the running by calling for bids on an undetermined number of C-1 steel cargo ships.

The Commission has laid down 66 vessels, will have to speed up orders considerably in the next six months in order to reach its 50-ships-a-year goal in 1939. Only 16 ships have been ordered so far this year; 21 had been contracted for at this time a year ago.

### For Expanding Drydocks

ONLY ONE NAVAL DRYDOCK, Norfolk, can take the proposed 45,000-ton battleships on short notice for repairs. Not

### Wage-Hour Tussle



Harrie & Ewing

Edward E. Cox of Georgia, the real boss of the powerful House Rules Committee, promises that the House will have a chance to vote on all and any amendments to the Wage-Hour Law that it pleases. This annoys Mary Norton, chairman of the Labor Committee, who wants to confine revision to the amendments suggested by Administrator Andrews—especially as it looks as if Cox would have a majority of the House with him when the test comes. But even if the Senate follows the House, Rep. Norton will not despair. She is sure the President would veto anything more than the "Andrews amendments".

## 25 P.C. LESS STEAM HEATS TANKS, OVENS IN SIEVERING PLANT

**Electro-Plating Plant Installs  
Webster Process Steam Traps  
to Achieve Steam Savings**

**DRAIN EQUIPMENT PERFECTLY**

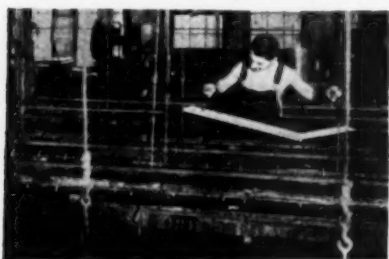
**Trial Installation of One Trap  
Preceded Thorough-Going  
Modernization Program**

**ELIMINATE "FUSS AND BOTHER"**

New York, N. Y.—Philip Sievering, Inc., electro-platers and polishers, reduced steam consumption approximately 25 per cent by equipping their heating ovens, plating tanks and drying ovens with Webster Process Steam Traps.

In the Sievering plant, Webster Traps help the steam using process equipment to develop maximum output by insuring prompt and continuous discharge of air and water of condensation.

In discussing the application of Webster Traps to the electro-plating and polishing equipment, Philip Sievering says:



General view in plant of Philip Sievering, Inc.  
New York City

"In May, 1938, we made a trial installation of a Webster Trap on one of our heating ovens. Having been favorably impressed with the results, we decided to install Webster Traps on all of our plating tanks and drying ovens which are heated by steam. The results so far have more than borne out our earlier impressions.

"While it is hard to check the exact savings in dollars and cents, we estimate that it amounts to approximately 25 per cent.

"In addition," Mr. Sievering says, "we have eliminated the fuss and bother of turning on, shutting off and regulating the exhaust valves."

If you use steam for process, let us send you complete information including application data, on Webster Process Steam Traps. Ask for Bulletin 1200D.

WARREN WEBSTER & CO., Camden, N. J.  
Pioneers of the Vacuum System of Steam Heating  
Representatives in 65 principal U. S. Cities—Est. 1888



Close-up of Webster Process Steam Traps in use.

one commercial dock on the East Coast can handle a modern battleship. There are 12 merchant vessels calling at New York, and one under construction, the *American*, which can't be accommodated in any New York dock. These are the reasons why Congress has decided to chip in on half of the \$7,000,000 cost of a huge private dock at New York, to be operated privately, with preferential service for the navy.

Purchase and improvement of the Hunters Point drydock near Mare Island on the West Coast also is authorized.

### Food-Drug Extension Set

FINAL AGREEMENT on the Lea bill extending the effective date (June 25) of the labeling provisions of the Food and Drug Law is in sight. Sen. Pepper, Florida New Dealer, who wants industry to have the right to extension until July 1, 1940, simply by filing an affidavit, is reported ready to compromise with Chairman Lea of the House committee.

Exact nature of the compromise is not known, but certainly industry will be given a flat extension to Jan. 1, 1940, and some machinery will be set up to secure additional extensions until July 1.

### Milder Telephone Report

IN CONNECTION WITH ITS PROBE of the American Telephone & Telegraph Co., the Federal Communications Commission is slated to send up to Capitol Hill by July 1 a report that is considerably toned down from the original draft submitted by Commissioner Paul Walker in April, 1938.

Several drastic regulatory proposals, such as advance FCC approval of A.T.&T. and Bell System management policies, will be eliminated. This disposes of recent rumors that the report would not go up to Congress this session.

### Oil Hearing Postponed

FALL WILL BE UPON US before the Monopoly Committee's long-heralded "open-forum" presentation of oil industry problems gets under way. The reason is that oil men want to clear the air of as many anti-trust actions now floating around as possible before telling all.

The Temporary National Economic Committee will, however, explain that previously scheduled hearings are taking more time than expected, that the committee, as well as the industry, wants more time to prepare.

### Speeding Highway Traffic

SPADE WORK HAS STARTED in Congress for federal aid to the states for purchase of rights-of-way for express highways in, out, and around big cities but legislation will lie over till next session.

Sen. Hayden, the Senate's specialist on highways, took his cue from the Bureau of Public Roads which recently reported that such construction is more

### Settling Anti-Trust Cases

MOVIE MAGNATES, potash manufacturers, and telegraph company officials are flirting with the Arnold-Hopkins policy for working their way out of the toils of the anti-trust law by developing co-operative plans of action for coping with their problems by legal means. It's too soon to judge from their early conference with Sec. Hopkins and other Commerce Department officials whether or not this approach will produce mutually satisfactory results, but at least the wheels of the new policy (BW—May 27 '39, p. 18) are turning over.

essential than cross-country superhighways and that cost of land is a greater obstacle than actual cost of construction.

Hayden's bill will not embrace the doctrine of excess land condemnation, for later resale, one of Roosevelt's pet ideas, although "right-of-way" will be defined to include land for marginal landscaping.

### Pyrrhic Victory Over Ethyl

ASSISTANT ATTORNEY GENERAL ARNOLD's anti-trust gang is tickled by the decision outlawing Ethyl Gasoline Corp.'s jobber-licensing agreements, but to most observers it looks like a hollow victory.

Since Ethyl has been granting licenses to almost anybody who asked for them for about a year now, it's expected that the company won't do much objecting to the injunctive decree to be drawn later, ordering it to cease making agreements with refiners as to who can and who can't resell the leaded gas.

The case was brought early last year, and the Justice Department charged that agreements blacklisting certain jobbers were (1) unlawful devices to keep up prices to major company-dictated levels, and (2) unlawful combinations in restraint of trade.

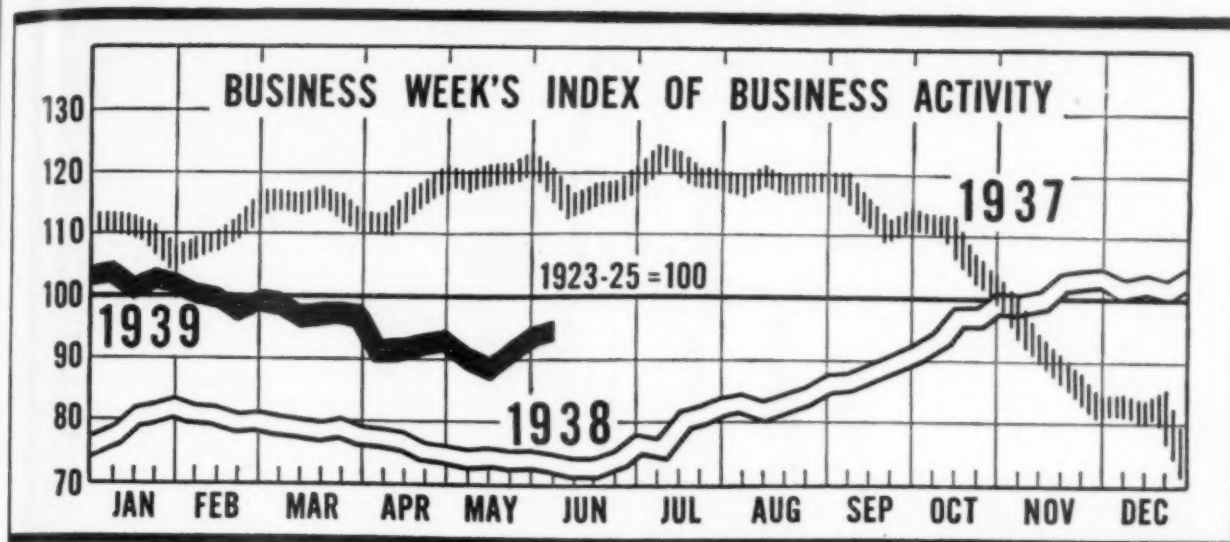
The court tossed out the first contention as unnecessary but ruled against Ethyl on the second.

### Ending Land-Grant Cuts

REFLECTING OBLIQUE OPPOSITION to repeal of land-grant rail rates, the General Land Office and other agencies would have the Senate Interstate Commerce Committee make a dicker with the railroads for return to the government of 9,000,000 acres remaining in their hands and relinquishment of claims for about 3,000,000 acres now in litigation. Best guess is, however, that the bill will pass without such conditions, thereby ending for the first time since 1876 a 50% reduction on the government's commercial freight costs and 20% on its mail pay over "land-grant" roads.



## THE FIGURES OF THE WEEK



## THE INDEX .....

## PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*Steel Ingot Operations (% of capacity).....	96.4	95.3	91.8	105.2	75.1
*Automobile Production .....	54.2	52.2	47.0	59.9	26.2
*Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	32,445	67,740	71,420	98,695	26,980
*Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$5,195	\$5,043	\$4,403	\$4,296	\$3,341
*Electric Power Output (million kilowatt-hours).....	\$10,951	\$9,543	\$9,496	\$10,986	\$7,131
Crude Oil (daily average, 1,000 bbls.).....	2,114	2,205	2,164	2,286	1,879
Bituminous Coal (daily average, 1,000 tons).....	3,559	3,585	2,581	3,224	3,108
	1,025	1,654	605	1,533	887

## TRADE

*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	67	68	68	67	61
*All Other Carloadings (daily average, 1,000 cars).....	37	35	29	40	33
Check Payments (outside N. Y. City, millions).....	\$3,761	\$3,779	\$4,465	\$3,760	\$3,619
Money in Circulation (Wednesday series, millions).....	\$6,968	\$6,893	\$6,915	\$6,766	\$6,469
Department Store Sales (change from same week of preceding year).....	+6%	+7%	+6%	-4%	-19%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	143.5	144.6	142.9	140.5	131.4
Iron and Steel Composite (Steel, ton).....	\$35.59	\$35.63	\$36.21	\$36.36	\$38.38
Scrap Steel Composite (Iron Age, ton).....	\$14.58	\$14.21	\$14.25	\$14.75	\$11.00
Copper (electrolytic, Connecticut Valley, lb.).....	10.000c	10.000c	10.125c	11.250c	9.000c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.79	\$0.78	\$0.75	\$0.65	\$0.70
Sugar (raw, delivered New York, lb.).....	2.87c	2.90c	2.93c	2.93c	2.71c
Cotton (middling, New York, lb.).....	9.82c	9.79c	9.39c	8.72c	7.95c
Wool Tops (New York, lb.).....	\$0.859	\$0.860	\$0.855	\$0.828	\$0.759
Rubber (ribbed smoked sheets, New York, lb.).....	16.41c	16.39c	15.97c	15.97c	11.45c

## FINANCE

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.65%	5.65%	5.72%	5.82%	6.74%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.10%	2.13%	2.24%	2.51%	2.49%
U. S. Treasury 3-to-5 year Note Yield.....	0.37%	0.40%	0.47%	0.68%	0.67%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-3/4%	1/2-3/4%	1/2-3/4%	3/4%	3/4-1%
Business Failures (Dun & Bradstreet, number).....	210	252	241	207	237

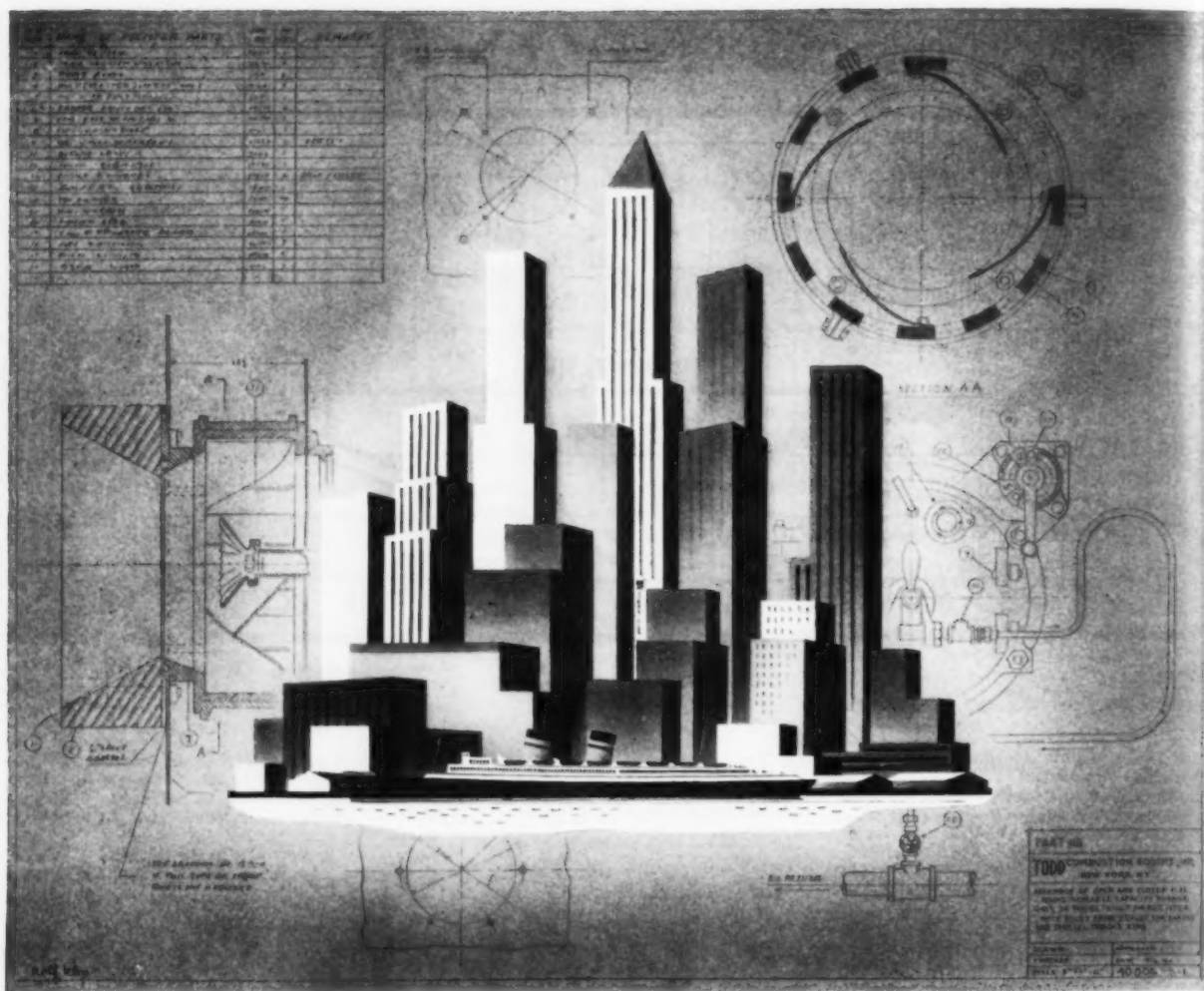
## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	16,965	16,955	16,660	16,013	14,589
Total Loans and Investments, reporting member banks.....	21,680	21,673	21,785	21,325	20,536
Commercial and Agricultural Loans, reporting member banks.....	3,822	3,837	3,841	3,866	3,992
Securities Loans, reporting member banks.....	1,260	1,258	1,187	1,284	1,186
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	10,292	10,310	10,367	9,788	9,255
Other Securities Held, reporting member banks.....	3,262	3,238	3,347	3,220	2,947
Excess Reserves, all member banks (Wednesday series).....	4,220	4,300	4,080	3,383	2,640
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,573	2,576	2,572	2,584	2,593

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	111.7	111.8	109.3	124.0	94.2
20 Railroads, Price Index (Standard Statistics).....	28.0	27.9	28.9	29.6	21.3
20 Utilities, Price Index (Standard Statistics).....	67.1	67.2	65.5	62.6	54.4
90 Stocks, Price Index (Standard Statistics).....	91.7	91.7	89.5	90.3	76.4
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	482	1730	531	868	397

\*Factor in Business Week Index. \*Preliminary, week ended June 3rd. †Revised. ‡Date for "Latest Week" on each series on request.



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# B U S I N E S S W E E K

June 10, 1939

## THE BUSINESS OUTLOOK

**Improvement continues in industrial activity and in security and commodity prices. United States should benefit by exports to the arming European countries and also to neutrals.**

BUSINESS SENTIMENT seems to have improved a little more in the past week. The turn apparently came nearly a month ago, when the bituminous coal strike was settled and the European crisis quieted down. Although the improvement has been only moderate, satisfaction can be taken in the creeping advance in industrial activity, security and commodity prices, and business sentiment itself. The advance is liable to interruption by adverse developments of a sensational nature at any time, but in their absence it can be expected to carry further. In other words, the economic cycle has made another turn, and most or all of the 10 to 15% decline in activity which occurred in the first five months of 1939 should be erased this summer and fall.

### War, Peace, and Recovery

Mention must be made of the main factor which can interrupt recovery. Many observers look forward to renewed crisis in Europe in the late summer, and, if the American economy takes the news as it did this spring, a bad drop could be witnessed. But it is by no means certain that such a crisis will occur, or that it will seriously affect the United States. War would give this country a recovery based on exports, peace would give it a recovery based on the domestic market, and realization of this alternative should ultimately dispel the extreme fear of trouble abroad.

### U. S. to Gain by Exports

The London stock market is already making hay while the sun shines, and there is a substantial as well as a psychological reason why its optimism should be transmitted to the United States. The revival in British industry between December and May has been one of the most remarkable in history. In these five months it is probable that 75% of the entire recession of 1937-38 was recovered. Moreover, there is every reason to expect new peak records in English industrial production to be made this year, since intense armament production is sure to dominate increasingly the British economy. The same trend applies to a lesser degree to France, in which indus-

trial recovery has at last begun since the strong financial policy of the Daladier-Reynaud government was instituted. It appears, therefore, that the United States will derive a measurable stimulus from European developments in the last half of 1939, working through exports both to the arming countries themselves and to the neutral nations whose needs these countries will no longer be able to supply.

At home, the political situation is adverse in so far as the Administration is evidently planning for a 1940 campaign based on a straight radical-conservative battle. But the situation is bullish for business in so far as the Administration must try, some time in the next year, to stimulate the business recovery which is almost essential to its chance of re-

election. Spending and lending will be the tools employed, and the record of the present Congress to date indicates that it will cooperate by appropriating any money necessary to implement such a program. In short, whether due to reckless spending and lending or to hope of a conservative victory next year, greater business activity is to be expected in the ensuing 12 months.

### Economic Factors Helpful

The economic factors also point, on the whole, toward recovery. It is true that the summer will see a sharp decline in automobile production, although the excellent retail sales in May and the interruption to production by strikes have already accomplished part of the needed reduction in stocks on hand. It

### In the Outlook



European

WITH THE KING and Queen coming into the United States this week for a round of garden parties, state dinners, World's Fair luncheons, and a Hyde Park weekend, U.S.

British trade relations are up front in the business outlook. Delegations of English business men now touring the U. S. in search of new business—which they know is available, since the Anglo-American trade agreement became effective last January—are gleefully watching the reception given to the royal visitors, for, although the King and Queen are saying nothing about trade, all Britons know that their visit is going to be good for business.

In Washington, foreign traders checking trade returns for the first three months of the trade agreement, found U. S. exports to Britain lagging behind last year (\$123,000,000 against

\$155,000,000 in 1938), but imports from Britain up from \$27,000,000 to \$34,000,000. Exporters explain that the agreement will not show their benefits until fall



European

when the farm exports, which won the biggest concessions, normally go to market in greatest quantity. Despite the drop in U. S. exports to Britain this year, all of the items on which Britain made important duty cuts were faring better than a year ago—except lumber. Biggest export gains were in rice and fruit. British woolen materials are already selling better than a year ago.

Britain's trade officials agree with America's, that trends cannot be definitely uncovered until a full year's trade can be studied. But both decided this week that the royal visit will restimulate interest in the new opportunities for trade.



is also true that the cotton textile mills are advancing with their curtailment program, in spite of the heavy orders taken in the last two weeks.

### Building and Inventories

Against these depressing influences, however, must be counted the effects of the current and prospective building operations—May residential contract awards having proved to be the highest in many years. There must also be counted the generally sound inventory position of business (reflected this week in the announcement of the National Industrial Conference Board that stocks of over 100 manufacturers are down 14% from a year ago), the continued good showing of retail sales and the pick-up in orders in one line after another (electrical equipment, cotton goods, etc.). There must be counted, finally, the push of the vast and increasing quantity of bank credit available. All of these things should carry the business index back to its 1938 year-end peak this fall and probably much higher sometime in 1940.

## U. S. Loans to Small Business

**New Dealers are about to force changes in financial methods. Congress will probably pass loan legislation this session—and more later.**

"THE PRIVATE FINANCIAL SYSTEM as at present constituted does not work."

This dictum, from the lips of the State Department's A. A. Berle, seems to sum up the present thought in Washington concerning the much mooted inability of "small business" to raise capital (see editorial, page 52). Moreover, the New Dealers now are at the point of forcing changes in financial methods—changes which will be broadened materially, many predict, between now and the 1940 Presidential campaign.

The Securities and Exchange Commission has been studying the problem of capital for small business for a couple of years. The Temporary Economic Com-

mittee has heard big business tell how it makes out (*BW—May 27 '39, p. 17*). A number of Congressmen have plans up their sleeves or already have introduced them in the form of bills. Mr. Berle has his own program. So has the Federal Reserve's head man, Marriner S. Eccles.

What it boils down to right now is that Congress probably will pass some legislation at this session, legislation designed to break the ice for next year when a more comprehensive program will be desired by the Administration. To this end, many of the New Deal spokesmen have endorsed the Mead-Schwert bill which proposes that the banks shall loan the money that industry wants and that the Reconstruction Finance Corp. shall insure those loans up to 90% of their face value.

From Commerce, Sec. Harry Hopkins has given this plan his blessing. From the SEC, comes the approval of Chairman Jerome Frank. From State, Mr. Berle is said to sanction it as a beginning. From the Federal Reserve, Gov. Ernest G. Draper has supported it mildly.

Sour note: Mr. Eccles says it won't put bank money to work because the banks (a) won't risk losing the 10% which the RFC is not to guarantee, and (b) it dictates a maximum interest rate of 4% on this type of business which the banks won't accept. Moreover, Mr. Eccles, testifying before the Senate banking subcommittee holding hearings on the Mead bill, advanced a theory which is heresy in Washington—the theory that lending won't of itself start an upswing.

### Eccles of the "Fed" Offers Plan

What Mr. Eccles suggests is a new set of capital credit banks under the wing of the Federal Reserve. He says the "Fed" heretofore has been limited too strictly in its business loans. If \$100,000,000 of the present appropriation for Federal Reserve business loans were turned over to an industrial loan corporation run by the Reserve, he believes it would be much more successful. This corporation would have the right to sell government-guaranteed debentures in five times the amount of its capital—\$500,000,000 under the proposal. The corporation then would make loans direct to business, would participate with banks in capital loans, would insure such bank loans under certain circumstances, or would take the loans off the banks' hands if cash were required for liquidity.

This isn't unlike the many plans for

### Monopoly Probers Again Eye Insurance



Horris & Ewing

Appearing before the Temporary National Economic Committee this week were the actuaries of the life insurance companies—those mystic mathematicians who can tell you and me how long we should live and how much we will have to pay for insurance on that life expectancy. First witness as the monopoly committee resumed its investigation of insurance was B. D. Flynn (above), vice-president and actuary for the

Travelers of Hartford. He and succeeding witnesses heard SEC outline its discovery that the life companies get together, standardize policy forms, decide upon rates. And these rates, said SEC spokesmen, are almost invariably accepted by state insurance commissions. Witnesses countered that rates are the result of experience; that rate wars would mean failures; that failures would cost policyholders millions.

## What Congress Will and Won't Do This Session

WASHINGTON (*Business Week Bureau*)—The neutrality issue will keep Congress from reaching the July 15 goal set for adjournment.

By insisting on a revision of the neutrality law that will give him the freedom of action he wants, the President seems to be willing to sacrifice the peace which party leaders hoped to achieve by shutting up shop in Washington at the earliest possible opportunity.

The President's plan to put steam behind his neutrality program by plumping for it in a projected swing around the country has been side-tracked because he recognizes that his presence in Washington may be very much in order June 30, when present excise taxes and WPA's appropriation expire. New bills covering both situations have to be signed before the July 1 deadline, and with Congress in its present balky temper, it may delay action so long that resort to the mail for his signature would be risky.

A hard battle is ahead on relief, but action is imperative on WPA's appropriation for the coming fiscal year. The deadline may serve either to sidetrack an overhauling of the present work-relief system, if action lags till the date looms close, or it may clinch an overhauling if Rep. Woodrum, Sen. Byrnes, and other legislators working for fundamental changes in relief administration succeed in tying their proposals to the appropriation bill.

The President has asked for \$1,750,000,000. This is \$750,000,000 less than the combined appropriations for relief this year and, if pared by Congress now, will have to be raised later. Insistence by Vice-President Garner and his conservative cohorts on enactment of the Hatch bill to suppress politics in relief will force action soon or late.

Little delay is anticipated in booting through the social security and tax bills.

The general legislative outlook can be summarized as follows:

### Laws already enacted:

Government reorganization.

Continuation of various functions of the Reconstruction Finance Corporation, Commodity Credit Corp., and the Export-Import Bank.

\$80,000,000 to the states for unemployment compensation.

Increase in limit on Federal Housing Administration insured mortgages to \$4,000,000,000; continuation of insurance of mortgages on existing construction; extension of the modernization credit plan.

### Sure to pass:

Tax bill removing features most objectionable to business.

Social security bill postponing increase in old age pension tax, removing employers' tax for unemployment compensation from annual wages over \$3,000 and increasing old age and other benefits. Neutrality bill in some form.

Extension of Connally act banning interstate shipment of hot oil.

Some form of government guarantee of loans to small and medium size business.

Removal of present \$30,000,000,000 bond limitation in public debt.

Federal aid for control of stream pollution.

\$100,000,000 for accumulating stock piles of strategic materials.

Postponement of labeling provisions of food and drug law.

Cooperation with other American republics—loaning expert personnel, etc.

Bill to permit voluntary debt adjustment by Baltimore & Ohio and Lehigh Valley.

### Probable:

Creation of a joint committee to study banking and monetary legislation for report next session.

Extension of the President's authority to regulate gold content of the dollar. Continuation of the \$2,000,000,000 stabilization fund and silver purchase program.

Amendments to wage-hour law.

### Maybe:

Compulsory labeling to show character of wool content.

Authority for TVA to issue \$100,000,000 bonds for purchase of utility properties.

Regulation of trust indentures by SEC.

Extension of the Walsh-Healey act to include contracts down to \$2,000, extend application to sub-contractors, and bar bidders found guilty of violating the Wagner Labor Relations Act.

Increase to \$1,600,000,000 in the U. S. Housing Authority's slum clearance program.

Transportation bills to bring waterways under regulation of the Interstate Commerce Commission and create a railroad reorganization court.

### No chance:

Wagner act amendments.

Oil pipe-line divorcement.

Conscription of wealth in war time.

Revision of copyright law.

Immunity for labor unions from anti-trust laws.

Ban on industrial munitions.

Construction of the Florida canal.

Prohibition on radio advertising of liquor.

Appropriations made by Congress to date for the fiscal year 1940 total \$4,823,000,000 as compared to \$4,331,000,000 for corresponding 1939 items. The total will reach at least \$9,110,000,000, allowing only \$1,750,000,000 for relief as compared to this year's total of \$8,615,000,000, which included \$2,539,000,000 for relief. The War Department appropriation has been raised from \$699,300,000 to \$1,159,000,000, including \$268,000,000 for river and harbor and flood control work; the Navy from \$623,500,000 to \$773,000,000; Agriculture from \$1,129,200,000 to \$1,218,700,000. These are cash appropriations for 1940, exclusive of "authorizations," such as the \$69,000,000 river and harbor bill that Congress will vote money for in the future.

a group of intermediate credit banks, financed by the government (Sen. Pepper has a bill pending). However, most of the intermediate credit bank proposals would put the system under the wing of the RFC. The Federal Reserve obviously doesn't want that. It already is jealous of the credit controls which have been given to the Treasury. It figures it should be charged with regulating the flow of capital credit just as it is the traditional watchdog over commercial credit.

Mr. Berle's plan goes farthest in advocacy of public banking. He wants a system of capital credit banks but he doesn't want them run entirely privately. He contends that private management always will cause capital to go on strike in hard times. He visions the new banks

as semi-public institutions run on a non-profit or limited-dividend basis. They would lend to corporations and also to public bodies so long as the loans were wealth-creating. These capital banks would cut interest rates when there was need to put credit to work, raise them when brakes should be applied.

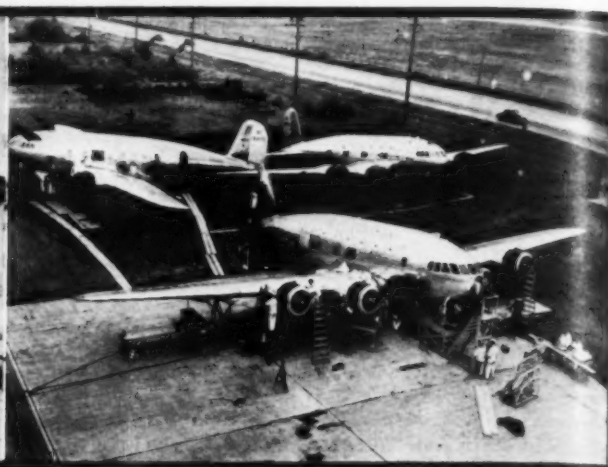
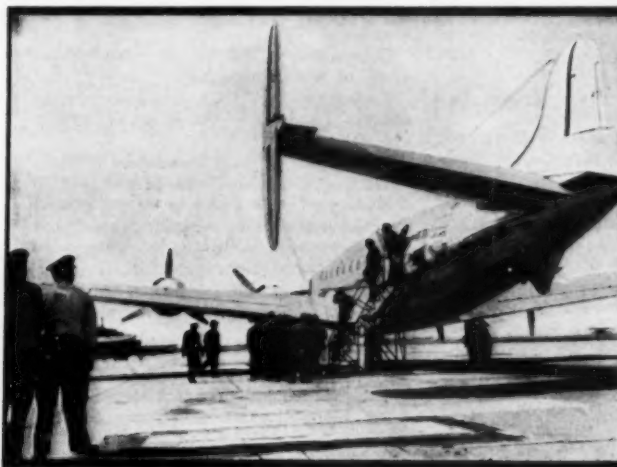
There are many other plans. A few in Washington want the government to buy common stock in small and new enterprises (how many business men would invite Uncle Sam in as a voting partner?). Others would divorce commercial banking and savings banking. The idea is that commercial banks have to pay depositors on demand and must stay liquid, whereas savings banks hold essentially long-term deposits and, put on

their own, would lean toward long-term investments.

Under the circumstances, it is hardly surprising that commercial bankers and investment bankers again are deploring the trend toward government in banking. They maintain that they are not only willing but eager to supply every legitimate credit and capital need of business. They contend that the need for new capital, with business as it has been over the last nine years, is greatly exaggerated.

In the belief of most bankers, the need is for "risk money" (the kind of money a partner puts into a business or that a corporation raises through the sale of common stock). And just try to find buyers for common stocks—in big or little business—with markets the way they are!

## Previewing the New Planes



While the new 42-passenger Douglas DC-4 (left), developed under the joint sponsorship of the five major airlines (BW—May 20 '39, p. 18), was being given its first service flight by United Air Lines in a trip to New York last week, Boeing Aircraft Co.'s Stratoliners—

here shown as they were moved out into the yard of the Boeing plant in Seattle, to make room inside for mass-production of 39 Army bombers—were well along in production. Three Stratoliners are due for delivery soon to Pan American Airways.

## FTC Raps Car Manufacturers

**Congress may follow up with its own investigation of factory-dealer practices. Commission urges that dealers' quota requirements be modified.**

A YEAR AGO Congress authorized the Federal Trade Commission to investigate factory-dealer relations in the automotive industry and look for unfair practices. This week the FTC reported back to Congress. The report stressed particularly those factors which may be of value in subsequent Congressional investigations.

There seems little doubt that the report will obtain a considerable Congressional airing. In it will be found plenty of meat for those who want to go after the big auto companies. Where the report does not directly accuse the manufacturers of fostering bad business practices, it implies it.

The report does give the auto companies credit for intensive inter-company competition, resulting in improved products for the consumer at lower prices. It does admit that "consumer benefits from competition in the automobile manufacturing industry have probably been more substantial than in any other large industry studied by the commission." The report itself questions the jurisdiction of the FTC over intra-dealer attempts at stabilizing used car prices in their own communities or sections (these attempts are the key to the entire automobile dealer problem). From that point, however, the report directly attacks the

big three of the industry, General Motors, Ford, and Chrysler, and declares that the following steps should be taken to abate unfair practices:

1. Less restriction upon dealers' management of their own enterprises.
2. Basing of quota requirements and shipments of cars to dealers on mutual factory-dealer agreements.
3. Equitable liquidation in the event of contract termination by the manufacturer.
4. Contracts definite as to the mutual rights and obligations of manufacturers and dealers, including specific provision that the contract will be continued for a definite term unless terminated by breach of reasonable conditions recited therein—or, cancellation for "cause" only.

### Freight Practice Criticized

In its report the FTC to a large extent absolved manufacturers of blame for exorbitant finance charges, stating that these were largely brought about through connivance between dealers and finance companies. It also found that dealers were not being entirely honest in presenting delivered prices to customers, and recommended that price tags should break down the delivered price into portions customers could check directly.

Perhaps the most important point,

however, in the commission's report is in connection with transportation charges. It has long been the practice of automobile companies operating assembly plants to charge the customer freight on a car equivalent to shipment from the home plant, even though the car may have been assembled in the same town or a town close to that where the purchaser resides. This practice the FTC finds "an unjustifiable imposition upon the purchasers of such vehicles."

Although its hearings on the "replacement parts" and accessories clauses in dealer contracts have not yet been completed, the commission's report does refer to the claim that car manufacturers make a larger profit on parts and accessories than on cars—implying that this is the cause for insistence on dealers' handling only "genuine" parts.

Again indicative that the report may tie in closely with anti-monopoly investigations is the close juxtaposition of two statements (1) that under threat of cancellation many dealers have felt compelled to operate their business in such a manner that their profits were wiped out; and (2) that some of the smaller manufacturers have recently featured claims of "friendliness" and "fairness" in their new contracts.

The report winds up with the comment that there has been pressure especially by the largest three manufacturers on many dealers, even though admitting the pressure has been less severe recently.

While car factories have not had an opportunity to digest the extensive report as yet, no one in executive circles has indicated any element of surprise over the findings. The National Automobile



Dealers Association, which largely sponsored the investigation, feels elated over the report. It may prove an effective weapon—taken together with the threat of demands for federal legislative action—to obtain extensive contract revisions from the “big three.”

There is reason to believe that the dealers themselves would prefer not to demand federal legislation, on the whole.

## Autos and Steel and Prices

**Detroit purchasing agents put on the pressure, and succeed because of steel companies' “volume-mania.” Industry suffers from overcapacity.**

OSTENSIBLY, all was well this week in the steel industry. Though bar prices dipped \$1 a ton, that was just a casual quantity discount adjustment. And scrap prices were a wee bit firmer, while steel operations stepped up 2 vital points to 54.2% of capacity—best level since mid-April and just about the breakeven point for the industry. Yet beneath this outward semblance of peace and near-prosperity, the industry still suffered from a basic ailment—overcapacity.

Overcapacity was the main cause of the drop in prices during the hectic five days from May 10 to 15, when prices of hot and cold rolled sheets dropped so fast that from one hour to the next buyers and sellers didn't know which steel companies were cutting and which auto companies were buying. What they did know was that prices got down anywhere from \$5 to \$8 a ton on a long line of products.

### They Still Succumb

As was done last October, auto companies put on the price pressure. And Tom Girdler, chairman of Republic Steel, took it upon himself last month at the annual meeting of the American Iron & Steel Institute to tell fellow steel men that they had none but themselves to blame for the periodic outbreaks of price warfare.

Steel men sheepishly admit they're falling for an old, old gag, but they're not at all sure of one another, or of themselves, or of the business (*BW—Oct 22 '38, p16*). So when a canny purchasing agent suggests that Soandso Co. is down \$5 on hot rolled sheets, the war is on.

At recent levels of operation, few steel companies could make money, consequently all sought volume. Indeed, volume has long been a fetish in steel from force of habit. Most steel company executives are mill men, think in terms of production—so they go after volume, in order to reduce the per ton cost of steel.

Result: salesmen are warned not to

Such legislation would inevitably rule not only against manufacturers' but also against dealers' practices. But it is questionable also whether the ball which has been started rolling downhill can be stopped.

In the meantime it is expected that the gradual improvement in factory-dealer relations during the past year or so will continue.

of cost-cutting continuous sheet and strip mills produced the anomaly of an industry selling less steel, but building more capacity. As one company substituted highspeed rolling mills for the old intermittent mills, others followed—to meet the competition.

“Meeting the competition” is considered by some steel men as the curse of the industry. It got the industry into its price trouble last October. That was just after United States Steel eliminated basing-point differentials, and buyers and sellers of steel were not too sure of what it was all about. So steel salesmen went around saying, “We'll meet the competition.” And what purchasing agent could resist that invitation?

### Business—at Auto Men's Prices

Last month it was pretty much of the same—only more so. Automobile companies decided it was high time to do a little figuring on 1940-model costs, especially since the two world's fairs have caused an advance in the dates of automobile shows. So purchasing agents got busy doing a little feeling out—their object being to buy steel at prices as favorable as those they obtained last October on 1939-model purchases.

After a little judicious “feeling out,” steel salesmen were getting mighty suspicious of one another, and suddenly discovered that they had committed their companies to sell the automobile companies just about all the steel they needed—and at virtually last year's prices. What's worse, they discovered that instead of firm commitments, they had only promises of orders—“10% of all the steel we'll buy,” the purchasing agent would say. So what it came down to—just as last fall—was that the automobile companies got their prices, while

Steel Paradox					
Plant Capacity Is Up, But Production Is Down					
Year	Capacity (In Tons of Steel Ingots)	Production	Used Capacity (% of Total Capacity)	Idle Capacity	
1919.....	54,482,740	34,671,232	63.6	36.4	
1920.....	55,637,135	42,132,934	75.7	24.3	
1921.....	57,376,810	19,783,797	34.5	65.5	
1922.....	58,416,680	35,602,926	60.9	39.1	
1923.....	58,644,655	44,943,696	76.6	23.4	
1924.....	59,431,710	37,931,939	63.8	36.2	
1925.....	61,136,805	45,393,524	74.2	25.8	
1926.....	57,812,531	48,293,763	83.5	16.5	
1927.....	60,032,247	44,935,185	74.9	25.1	
1928.....	61,465,100	51,544,180	83.9	16.1	
1929.....	63,784,389	56,433,473	88.5	11.5	
1930.....	65,165,541	40,699,483	62.5	37.5	
1931.....	68,980,181	25,945,501	37.6	62.4	
1932.....	70,340,101	13,681,162	19.5	80.5	
1933.....	70,191,431	23,232,347	33.1	66.9	
1934.....	69,755,371	26,055,289	37.4	62.6	
1935.....	70,046,366	34,092,594	48.7	51.3	
1936.....	69,789,554	47,767,856	68.4	31.6	
1937.....	69,775,334	50,568,701	72.5	27.5	
1938.....	71,594,320	28,349,991	39.6	60.4	

Data: American Iron & Steel Institute

Business Week

## Manton Mix-up



No sooner was Judge Martin T. Manton (left, above), of the U. S. Circuit Court of Appeals, convicted of conspiring to sell the decisions of his courts this week, than litigants began to petition for the reopening of cases in which the judge had decided against them—including several involving important business issues; Fox Theaters Corp.'s receivership, and Schick Dry Shaver's patent infringement suit against Dictograph Products. Litigants may have trouble getting rehearings in view of the government's position that in almost no instance was Manton's ultimate decision legally faulty.

the steel companies got the business they would have got anyway.

The surprising part of the whole episode is that the automobile industry continues to exert such a powerful pressure on steel prices during a period in which its own purchases of steel, relative of total steel consumption, have been on the decline (see cover, right hand chart). Back in 1935, the automobile absorbed 25% of steel output; last year its takings came to but 15.5%.

But the automobile industry is still by far the largest single customer, and the steel companies feel they cannot afford to lose out in their percentage share of the business. Rolling mills must be kept rolling.

Yet the automobile assembly lines must be kept moving, too. And steel men know that assembly lines can't move without steel. But somehow the steel men can't get together and hold prices firm. An order's an order.

And it's quite possible that the last

has not been heard of the May break in prices. In reestablishing set prices, United States Steel also eliminated quantity discounts. But next spring, when the auto companies again are in the market, there is likely to be a recurrence of bargaining—with the protest that as large buyers "we" should get quantity discounts.

Result, steel prices will be in for another annual test from auto buyers. And in the meantime, big consumers have their placements in—not only auto companies, but other large industrial users. So, to all practical purposes, prices have been set on big lots of steel for this year. The recently reestablished prices apply to future orders—but they are *ex post facto*. The big bulk of the buying has already been done. And for most steel companies it means that mill nets will be just about as low as they have ever been. For the auto companies, it means a nice saving in steel costs, but an insufficient saving to cut car prices significantly.

## Wants Cotton Cartel

Wallace invites 10 nations to confer. Seeks similar results in wheat.

INTERNATIONAL AGREEMENTS to limit production and marketing of the United States' two largest cash crops—wheat and cotton—have tickled the imagination of Secretary of Agriculture Henry A. Wallace for a long time (BW—Aug 27 '38, p 14). He publicly urged a world conference on cotton early this year (BW—Jan 28 '39, p 16).

The response of other exporting nations at first seemed no better than lukewarm, but Sec. Wallace was armed with an effective weapon as far as wheat was concerned—the export subsidy. He threw 100,000,000 bu. of wheat (and wheat in the form of flour) on the world markets at prices averaging 25¢ a bu. under quotations at home. He helped to create a buyers' market abroad, to the detriment of prices at which other exporting nations could sell. And now he is seeking authority to do the same thing in cotton, partly to relieve the domestic surplus situation but in no small measure in order to show other cotton-producing countries that Uncle Sam means business.

### Export Quotas for Wheat?

The results of this program (Sec. Wallace insists that it isn't dumping because the United States is just seeking to recover its traditional markets) are now becoming apparent. Through the State Department the Department of Agriculture has extended invitations to 10 nations to confer on cotton problems at meetings opening in Washington on Sept. 5. Meanwhile an international committee has been weighing the possibilities of ex-

port quotas and minimum prices for wheat, preparatory to submitting a report to the world wheat meeting in London; the committee will reconvene in Ottawa on July 7.

It's clear enough what Washington is driving at. The Department of Agriculture doesn't want to curtail domestic output of wheat and cotton while rivals in the export market continue to build up production. Sec. Wallace wants to be assured that the United States will regain and retain its old markets. There is every indication that he wants a guaranty of exports of upwards of 100,000,000 bu. of wheat and 6,000,000 bales of cotton annually.

### "Haves" Want to Keep Markets

That's a large order. Nations which have built up their production of cotton and wheat while the United States held the umbrella over world markets are reluctant to give up their gains. The wheat committee in its sessions so far has found that out. Tentative proposals have aimed at giving the four largest exporters—Canada, Argentina, Australia, and the United States—a share in exports based on actual sales abroad over the last 15 years. Smaller producers, it is suggested, would get quotas based on exports for the last 10 years. With this the smaller nations are by no means in agreement.

There is disagreement between major nations, too, on the minimum price in the world market. This was tentatively put at a base of 80¢ for No. 3 northern wheat in store at Fort Williams-Port Arthur (Canada). That's equivalent to about 87¢ a bu. on No. 1 northern. The United States said that was too low, Argentina too high.

These are typical of problems which the cotton conference also will encounter. However, Sec. Wallace says that "favorable responses have been received from nearly all of the cotton-producing and cotton-exporting countries." Thus a start has been made toward cartelizing farm products.

### Getting Lowdown on Wheat

IMPORTANCE OF KNOWING the exact quality of this country's wheat crop (BW—Jun 3 '39, p 30) is further demonstrated by a new project which the Department of Agriculture is about to initiate. Three groups of experts will follow the harvest from Oklahoma north through the winter wheat states and on into the spring wheat areas. They will pick up representative head samples of wheat from definitely measured areas, the samples will be sent to a central laboratory at Kansas State Agricultural College, and information concerning yields per acre, probable test weights, protein content, and commercial grade will be ascertained. Results will provide the first broad analysis of the effect of wheat varieties on production. Also the Department believes the survey will aid in its quantitative estimates.

# New International

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## Railroads Plan Auto Rental

**Large western carriers will make cars available on \$20 deposit or presentation of identification card. Automobile dealers finance the project.**

WESTERN RAILROADS had been keeping a muffler on their plan to provide an automobile rental service for passengers. Their intention was to give it a lot of publicity next October, in time to get the full benefit for the actual start on Jan. 1, 1940—but last week it leaked. Trans-Continental Passenger Association has been quietly negotiating the deal for its member roads in recent months; already the Burlington; Chicago & Eastern Illinois; Missouri, Kansas & Texas; Missouri Pacific; North Western; Chicago, St. Paul, Minneapolis & Omaha; Illinois Central, and Union Pacific have signed up.

### For Salesmen and Tourists

Cars will be available to railroad passengers on deposit of \$20 at the rental agency. But individuals and firms can get credit and identification cards through railroad or personal references. Expectation is that most renters will offer identification cards instead of deposits. The roads and the rental outfit are planning not only on commercial travelers but also on the ordinary tourist who now endures a long, hard drive so that he may have his automobile when he reaches his vacation destination. There is some doubt whether these cars would be admitted to national parks where the for-hire concession is farmed out by a government body.

Chairman Hugh W. Siddall of the Trans-Continental Passenger Association has been holding up announcement until more roads could join. Instead of a network they now have an incomplete wheel, with its hub at Chicago, single spokes reaching west to the Pacific, southwest through St. Louis to the Gulf, north to the Twin Cities and Lake Superior, south to the Gulf. Traffic officers of roads already in the deal feel confident that by next January practically all western roads will have come in.

### Profiting by Others' Experience

The plan is carefully designed to sidestep difficulties that have made the New Haven's car rentals (BW—Aug 6'38, p4) fall considerably short of the originators' expectations. Directed at serving business travelers, the New Haven plan ran smack against the regional geography. A very large proportion of salesmen who work the road's exclusively New England territory also must cover parts of New York State and New Jersey, where no such integrated

service is available. Also, distances between big New England towns are short. Therefore, many traveling men continue to drive their own cars all the way around their routes. By last November the New Haven had signed up with 186 firms, had issued 445 identification cards all told. Negotiations have been going ahead to extend the plan to other eastern territory roads as far as Buffalo and Pittsburgh, which with a profitable experience would doubtless carry it across to Chicago, where it could be tied up with the western roads' new service.

The New Haven signed up with Hertz Drivurself Stations, which are a league of separately owned units. The western roads have signed up with a brand-new outfit named Railroad Extension Service, Inc. Its headquarters are Lincoln, Neb. Its president is E. M. O'Shea, Ford dealer of Lincoln. His associates are other automobile dealers who have in the aggregate a good deal of car rental experience. They are financing the enterprise without railroad money, have developed tie-ups with other automobile dealers on the contracting lines. They agree to meet all normal, reasonable demands for cars from railroad passengers—which does not mean they undertake to have enough rental units in a town to take care of a national convention of Elks or American Legion. The agency may rent cars to other than railroad passengers, if it has a surplus above expectable rail demand.

### Aim at Traffic, Not Commissions

All that the railroad does for the car renting agent is to advertise the service, give him an office in the station without charge, let him keep his cars at the railroad platform where passengers can get them without delay or taxicabbing. For the passenger the road will wire ahead to reserve a car. The road gets no commission or other profit out of the deal—all it is after is additional traffic. Because of comparatively long jumps between big towns, the plan looks to be starting on more fertile ground than densely settled New England.

At first the rental service will be subject to limitations which the roads hope to overturn after a successful experience. Under the New Haven's plan a passenger can return his rented Hertz car to any other Hertz agency in the listed cities by paying deadhead mileage of 6¢ back to point of origin, plus \$4 for a driver. If the western renter prefers to return the automobile to some other

place than where he got it, he may do so by paying the return mileage at full rate and the cost of a driver.

Thus far, R.E.S. lists 370 points in western territory where it has completed arrangements to have cars available. The ultimate coverage is an agency in every city of 10,000 or more population, plus smaller towns where service is warranted, plus seasonal resort points.

Rates for use of a car are somewhat lower than those available to an individual who goes to most car-rental agencies. This is the inducement to the traveler to use the railroad. The base charge is 8¢ per mile, minimum use 10 miles an hour. Daily rate is 8¢ a mile, minimum use 75 miles in 12 hours, and 5 miles for each subsequent hour. Weekly rate is 8¢ a mile, minimum use 350 miles—if used 1,000 miles the rate drops to 6½¢ per mile.

All insurance, including actual-value fire and theft, \$5,000–\$10,000 public liability, \$1,000 property damage, \$100-deductible collision, comes with the car for the scheduled rental rate. Additional insurance will be available at extra cost. Gasoline and oil are supplied at the lowest rates. Cars will be Chevrolet, Ford, and Plymouth 5-passenger sedans.

## Regulating Trailers

**Court decisions map status of trailers under local police, housing, and tax regulations.**

CAN A CITY LEGALLY LIMIT the stay of trailers within its boundaries? Do local housing acts apply to trailers used as dwellings? Are trailers liable to taxation as real property? Some first answers to these questions, which have become increasingly perplexing to city officials, are afforded by recent court decisions.

The answer to number one was given by an Indiana court which held that cities can restrict a trailer's stay whether it is parked on public or private property. The case grew out of a local ordinance limiting their stay to 30 days.

As for the second question, a Michigan court decreed the application of local housing acts to trailers occupied as homes was legal.

Finally, decisions in New York and Texas bear on the question whether trailers are taxable property. In New York it was held that a portable (trailer) lunch wagon set upon a brick foundation and provided with utility connections is "affixed to the land" and therefore taxable as real property even though it is readily removable upon termination of the lease. A U.S. court in Texas said an automobile trailer detached from the automobile is a building. The case arose from an attempt to collect insurance for a death caused by a trailer fire. The policy said payment would be made only for death caused by burning of a building.

## How Is Trucking?

**Operators in Midwest hold convention. Most of them are making money.**

HIGHWAY TRUCK OPERATORS, traditionally enthusiastic scrappers, spend most of their convention sessions damning the railroads for blows below the belt and devising means to combat adverse legislation which they invariably ascribe to railroad sources. The truckmen at the same time feel the righteousness of virtue unjustly accused. One statistic that they cherish like a sugar-tit is that trucks carried a slightly smaller percentage of all freight in 1937 than in 1932. "Why pick on us?" they protest indignantly.

Last week the Central Motor Freight Association gathered at Chicago for its annual meeting. True to form, the session bore down on anti-truck bills, of which the Middle West has had more than its fair share pending. They raffled off a trailer donated by Harvey Fruehauf, thereby raised \$10,000 for legislative use.

### Profits despite "Anti" Efforts

Nobody denies that highway truckers are harassed within an inch of their economic lives by anti-truck bills. Actually, they are pretty successful in dodging the worst bills and modifying the others to workable terms. Meanwhile most of them are hauling lots of freight and thereby making satisfactory profits. An occasional exception such as Keeshin, which dropped a million dollars in '36, two-thirds as much in '37, barely got into the black in '38, and thus far in '39 is doing only a little better, is merely evidence that the fellow who doesn't get big fast sometimes makes more money for himself.

The motor hauling industry is a child of the depression, really got into the money when tough going necessitated hurry-up shipments of small loads. Since 1932 the truckers have held almost exactly 5% of total freight year after year. Truck volume nowadays fluctuates in almost direct proportion with the volume of goods being moved by all transportation agencies.

### A Blessing, Not a Blight

Contrary to dire predictions of the haulers, putting interstate truck rates under federal control three years ago helped the truckers. Previously nobody knew what he dared ask for hauling a given commodity, so he often asked too little. Those lines which published tariffs had so complex a rate structure that few even of the experts knew which side was up.

When Central States Motor Freight Bureau was formed for about the same territory as that of the railroads' Central Freight Association, the rate structure immediately started toward simplifica-

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Think of it, no more bother, trouble, delay — you just pick up the Handi-pen and it writes — instantly, smoothly. Pen rests in fresh ink. Waste less time — get rid of disturbing annoyance — with the Handi-pen on every desk in your place of business. Priced \$2.50 to \$45.00 — including beautiful deluxe sets for executives. HP-5 illus., \$4.00. See your stationer for details of 10-day trial offer, or order direct.

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tion. Class rates maintained by the truckers in the territory are, generally speaking, about the same as rail freight rates—except that carload rates on the rails govern shipments of 30,000 or 40,000 pounds, apply to a motor truckload which is usually 20,000 pounds. One notable exception to this general rule is that truck rates have been lowered wherever necessary to compete with freight forwarding companies. The truck haulers look down their noses at forwarders, much as the rails look down at the truckers.

Highway haulers are proud today of their size and of the employment they give. All manner of figures roll around in their publicity, depending on just

which types of trucks the figurer elects to consider. Probably 200,000 trucks are engaged in inter-town hauling in competition with railroads. These average about 2½ drivers per truck. About 50% of all truck revenue is paid direct to labor. Inter-town truckers claim they give almost as much employment as the railroads, though they haul only 1/13th as much freight. They pay a proportionately heavy share of their revenues in Social Security taxes.

Midwestern highway hauling is almost completely unionized. Last October an industry committee signed an agreement with the American Federation of Labor truck drivers covering 11 states from Ohio to North Dakota and Missouri.

## Pea Cannery and Growers Happy

**Price is maintained by voluntary crop reduction and energetic marketing campaign. Wisconsin, main canning state, has smallest acreage in 17 years.**

STATE AND FEDERAL crop reporting services last week announced that acreage planted to canning peas in Wisconsin will this year be the smallest in 17 years. Thereupon the pea canners and pea growers heaved a sigh of relief. Wisconsin cans one-third of the total pea pack, is followed in importance by Washington-Oregon, New York, the Delmarva peninsula (Delaware, Maryland, Virginia), and Minnesota. As Wisconsin peas go, so goes the nation.

This achievement in crop reduction without benefit of legislation or regulation is one of the prettiest examples of industry coordination likely to be seen for many a day. In 1933 the U. S. had a total supply of canned peas, composed of carryover and the year's crop, of 14 million cases. They sold at \$1.04 average, f.o.b. factory, for #2 tins of 3-sieve Alaskas. The tabulation for recent years makes an interesting exhibit of how supply affects prices:

Year	Supply (Millions of Cases)	Price (Average)
1933	14	\$1.04
1934	15½	1.16
1935	24	.78
1936	20	.91
1937	25½	.75

### New High—and Packers Get Busy

At 75¢, canners lose their shirts. Accordingly they reduced 1938 plantings. But the year produced a world-beating crop, in yield per acre and in quality. So the industry found itself last July with the pack completed and a new high of 30 million cases in tin.

That the packers merely lost their shirts this past year instead of losing everything they wore is unquestionably due to what they did about the big crop.

They promptly formed the Canned Pea Marketing Cooperative late last summer, with headquarters at Chicago. They retained the management engineering firm of Stevenson, Jordan & Harrison to run the cooperative, and thus quieted any suspicion that the group would leak confidential information or bungle its job. Then, with some aid from the can companies, they underwrote a marketing fund of \$150,000 to move the tremendous stock, and the outfit went into action.

### Get RFC Help, Push Consumption

First move was getting a credit line of \$7,500,000 from the Reconstruction Finance Corp. last autumn. Only a part of this credit was actually used, loaned out on warehouse receipt collateral to canners. The loans put a floor under the market and gave time for orderly marketing.

Next the cooperative swung into increasing the consumption of canned peas. Part of the \$150,000 marketing fund went into two drives in January and March. Statistics prove that warehouse stocks moved clear through to the consumer, were eaten, and thus disposed of with finality.

By the new crop year in July, carry-over will be around 7½ million cases. In brief, this crop year has seen 22½ million cases of canned peas consumed in the U. S., which is an all-time high. Most remarkable of all, the average price was 78½¢ despite total supply of 30 millions, as contrasted with 75¢ realized with a supply of 25 millions in 1937.

Canners rigidly control pea acreage because most of them supply the seed, control planting dates by deliveries. The cooperative put a corps of go-getting



young engineers on the road late in January, kept them traveling through March. Their job was to call on all pea canners, convey to them the statistics of their industry's plight and the extremely discouraging prospect for a decent price unless acreage should be substantially reduced. They urged no specified cut, but recommended to each canner that he plan his acreage with sound consideration of his own stocks, his finances, and his established markets—without worrying about what other canners might do under their different circumstances. Also, they obtained information on local plans for planting. During the same interval, higher-ups visited the principal bankers who lend money to finance the pea pack, and gave them the statistical picture.

### Pea Acreage Slashed

When the rambling engineers had spread their message of gloom across the pea regions and had meanwhile corralled all the statistics they could get, these figures were tabulated by states. The 1939 prospect was for 27.8% reduction below 1938 acreage. Government survey figures point to 24% reduction, but the co-op is standing on its estimate as conservative—because supplementary reports have since been received from well over half the canners showing that acreage finally planted was actually reduced 31.8%. All told, this year's planting is around 204,000 acres as against 299,000 last year.

The weather man gave a helping hand, too. This spring was abnormally wet in pea territory, plantings were late. Late planting usually cuts yields. So there seems an excellent chance that the total 1939 crop will show the 40% reduction that the cooperative has been hoping for on the statistical position. It looks like a supply of not much over 20 million cases at the beginning of the next distributing year. This is close to, but still above, normal.

### Hard Year Ahead for Labor

Nobody will even guess about the uses the abandoned pea acreage will be put to. Certainly it will not be diverted to the companion crop, sweet corn for canning, since canned corn has been in like plight and an acreage cut of 25% looms here, too. Unquestionably it will be a tough year for labor on the pea farms and in the canneries. Most of the workers get only temporary employment in the industry even in a good year.

Interesting sidelight is that the greatly increased supply of fresh vegetables out of season apparently does not affect consumption of canned peas. Folks who eat fresh vegetables and folks who eat canned vegetables seem to be fairly distinct classes of consumers. The high price of fresh peas at any time leaves the mass market for canned peas pretty much untouched.



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## MARKETING

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### New Maxwell Street!

**Celebrated old market thoroughfare in Chicago will get a commercial facelift.**

MAXWELL STREET's malodorousness is compounded, on the olfactory side, of the effluvia of overripe fish and bananas and long-worn clothing offered for sale. On the commercial side its ingredients are *caveat emptor* and *handlein*, the street's vernacular for such tricks as that one pulled by the pushcart peddler, who failed to recognize a city markets official and sold him a dozen lemons, six good ones on top and six not-so-good ones below.

Maxwell Street many years ago was the main business artery of Chicago's Ghetto. The Jews have long since resigned the surrounding district to Negro and Mexican residents. But at the same old stand they still offer all manner of cheap goods, new and second-hand, to thrifty West Siders who love a bargain the better if it was obtained only after a lively tussle of wits and words with a worthy opponent.

Last week Chicago newspapers unanimously bemoaned the news that the Maxwell Street Merchants Association was out to clean up the district's principles, practices, and pavements. The *Tribune* keynoted with its headline, "Ethics Rears Its Ugly Head in Maxwell Street." The association triumphantly posted all the clippings on its front door to prove its contention that the community at large looks down on their neighborhood and that they had accordingly best do something about it.

The street's merchants are not sensitive about their reputation. But they

recognize that their business has been shrinking steadily for five years. In 1929 the 4½ blocks of three-layer retailing between Jefferson and Sangamon Streets—stores, sidewalk stands, street pushcarts—had total sales above \$2,500,000 a month. Now volume has shrunk to \$1,350,000. They hold that in these 10 years of emaciated incomes they should have attracted droves of new customers who need to stretch their dollars.

What really alarms Maxwell Street is store vacancies—four of them, the first in 30 years. Ambitious outsiders used to pay bonuses to landlords to throw out tenants when leases expired, so that they could get footholds. A 25-foot store brought as high as \$750 a month. Now it's to be had for "make-me-an-offer."

The Merchants Association's new executive director, Ira W. Wolfe, set out to find facts by research methods. Inquiring-reporter tactics addressed to 58,679 pedestrians in the street disclosed that: 63.7% come to Maxwell Street because they like to bargain for their bargains; 21.2% because they like to buy Jewish merchandise in Ghetto surroundings; 15.1% are sightseers who buy nothing at all. These figures satisfy the merchants that they need not worry about destroying the chaos which outsiders consider is the genius of the street.

### Drive to Attract the Thrifty

Traffic counts show 34,000 pedestrians on Sundays, 9,000 on week days. Wolfe figures 1,300,000 prospective customers in 25-mile radius, poor folks who need Maxwell Street as the street needs them. He thinks the street should be jammed curb to curb with 85,000 to 100,000 shoppers of a pleasant Sunday. So the association has in the dummy stage a

giveaway *Maxwell St. Shopping Guide* which will tout The Hub of the Thrifty Shopping District and be stuffed into half a million low-income mailboxes every week. Next scheduled step for business promotion is cooperative radio and newspaper advertising.

The more substantial business men such as Isidore Mackevitch, Ben Shimelfarb, and Louis Goldstein admit the merchants have outsmarted themselves by *handlein* tactics, by too aggressive pullers-in, and by too reluctant adjustments on merchandise. So they are drafting a code of ethics—and organizing a central bureau for adjusting customer complaints, with its decisions binding on members.

### From Hodgepodge to New Order

On the physical side, changes that the city's Department of Public Works has been advocating for years are about to materialize. The city has firm control through licensing at 10¢ a day all use of public property. Nondescript street carts are to be supplanted with "portable stands" 3½ x 7 feet. Ramshackle sidewalk stands now made of second-hand two-by-fours and siding, with tarpaulin or fixed roof, will be replaced with sheet-metal-and-wood standardized stands 7' x 5' x 7' 4" high, with 14" eaves. Carts, stands, and store fronts are scheduled for liberal daubing with blue and orange paint. The consequence should be an almost suburban neatness. Of practical importance, the approved design will permit nightly flushing of the street, now impossible because of the bulky underpinnings of the rickety stands. Also, reduced fire hazards should bring down insurance premiums.

Neither city authorities nor Merchants Association officers figure on doing the job overnight. Their earliest hope is for appreciable improvement within six months. The time limit on the entire shift-over is two years.

Of the 529 businesses in the 4½ crowded blocks, only 63 voted against the changes.



Chicago's teeming Maxwell Street market, in the flesh and in the future—left, as it is; right, as the Maxwell Street Merchants Association hopes it will be after an architectural beauty treatment.

## Business & Consumers

**Marketing men and customers discuss solution of buyer problems in friendly atmosphere at Buffalo.**

THIS WEEK in Buffalo, the lion and the lamb lay down together. Some five hundred representatives of business and consumer groups met under the auspices of the National Association of Better Business Bureaus. And they ate, drank, and conferred in apparently happy harmony.

This Business-Consumer Relations Conference was the biggest meeting of its kind ever held. Ten years ago such a get-together would never have been thought of, for there was no discernible necessity for dealing with the consumer point of view as a thing distinguished in any way from the orthodox customer point of view. The organized discontent of some consumers with the things they buy and the way they are sold is just now impressing itself on business as a major marketing problem. And for business and advertising men the significant thing is not what was said in Buffalo this week; simply that there was such a meeting.

### *This Meeting Is Different*

The conference eschewed the strictly pro-consumer attitude that characterized the one held two months ago at Stephens College, Columbia, Mo., under the sponsorship of the Institute for Consumer Education. That meeting tended in the direction of a concerted attack on business and all its works and made it seem that an impassable schism was being established. One speaker at Columbia spoke of an "essential conflict" between business and consumers. And business was more or less directly warned that any attempt to participate in the consumer movement would be suspect.

At Buffalo, the attendance was about equally divided between consumers, educators, government representatives, and business and advertising men, although militant groups like Consumers Union did not participate. In 30-odd speeches and discussion groups three basic consumer demands were highlighted: the buyer wants more truth in advertising, with more nouns and verbs and fewer adjectives; he—or, more likely, she—wants more facts; and she wants more education on buying methods so that she will be able to use facts when given to her.

### *A Menace or a Help?*

One speaker told business men that "because you have neglected to enter into this field of consumer education, it has been taken out of your hands by a number of consumer organizations which have grown up in response to a real



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demand. These organizations can be a menace to you or a help. It depends on your attitude toward them."

The biggest cry of the consumers is for more specific facts about merchandise—for simple, standardized labels. A consumer-speaker said that retailers, who are at the point of contact, are generally anxious to furnish specific information but don't get it from manufacturers. "It is the manufacturer who by and large conditions the buying public. He is the one who most readily can find the facts regarding his products. He really knows the thread count of his sheets, the quality of his cotton, the amount of silver on his silver plate, the absorption rate of his bath towels, and the rating of his fruits and vegetables. We, however, are expected to be content with appeals to snobbery and other of our weaknesses. There is much evidence that we are not so content, and that if we use good teamwork our situation can be greatly improved."

## Milk Control Lawful

**Supreme Court sustains federal program. Now Wallace will push it harder.**

WASHINGTON (Business Week Bureau)—Six years to the month since the federal milk marketing control program was launched, its Constitutionality has finally been upheld. Hampered by litigation, the Agricultural Adjustment Administration has hung back in pushing marketing control. A more vigorous policy will follow the court's decisions this week sustaining the Agricultural Marketing Agreement Act of 1937 (which reenacted, with amendments, the marketing provisions of the original Agricultural Adjustment Act of 1933), and also sustaining orders by Sec. Wallace regulating the handling of milk in the New York metropolitan and Greater Boston marketing areas.

### Control Ahead for Other Cities

AAA now will move to clear up marketing conditions in areas with which state authority can't cope effectively because the milk flows across state lines. Attention probably will be given to Springfield, Worcester, and other markets secondary to Boston; Providence, northern New Jersey, Philadelphia, District of Columbia, Pittsburgh, and Chicago. All other big markets and many smaller ones now are subject to control by federal or state authority, or a combination of both.

The long end of a 5-4 decision upholds the power of Congress to regulate distribution of milk, both interstate and intrastate.

"Where local and foreign milk alike are drawn into a general plan for protecting the interstate commerce in the commodity from interferences, burdens,

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and obstructions, arising from excessive surplus and the social and sanitary evils of low values, the power of Congress extends also to local sales," Justice Reed stated in voicing the majority's opinion.

On the specific point of federal regulation of prices, Justice Reed said that the federal government's authority over interstate commerce does not differ in extent or character from the states' authority over intrastate commerce. He cited the *Nebbia* case in which New York State's authority to regulate milk prices was upheld.

#### Court O.K.'s Pool Plan

The equalization pool was approved by the court as a device reasonably adapted to allow regulation of the interstate market upon terms which minimize the results of the restrictions. Under the pool plan, dealers who sell a large portion of their milk at high prices as fluid milk pay the excess received above established differentials into a fund for distribution to producers selling milk at lower prices for use in processed dairy products.

### MARKETING ANGLES

#### What They Sip in Summer

ELMO ROPER, researcher, unveiled the results of a drinking-habit survey last week to the annual Merchandising Forum on Tea, meeting in New York. Lemonade ranks first as a hot-weather drink, followed closely by iced tea. Coca-Cola is third, with pop, ginger ale, root beer, and milk following in that order. Hot tea is the preferred drink when people are tired. The survey shows that only one out of ten housewives buys tea in bags rather than in packages. And nearly twice as much tea is bought in half-pound as in quarter-pound packages.

#### Children's Clothes Sizes

WITH THE ARGUMENT that returns of misfit children's wear constituted the greatest loss in the clothing industry (*BW—Apr 22 '39, pp 53-54*), the American Standards Association six weeks ago induced garment manufacturers to appoint a committee to study a size index based on height and hip girth instead of age and worked out by the U. S. Bureau of Home Economics. This week the standard moved nearer acceptance when a technical subcommittee reported to the full committee the first results of its work—two detailed sets of body measurements. One set covers 39 sizes for 89% of all boys between 4 and 17 years of age, equally divided between "regular," "slims," and "chubbies." The other set is for girls and includes 36 sizes. According to the association, additional data are needed before definitive standards can be entirely worked out.

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## PRODUCTION

PRODUCTS · PLANT · PROCESSES

### Make "Sugar Rubber"

**Experimenters mix cane sugar with turpentine. Hope Louisiana growers will benefit.**

TWO GOOD OLD Southern products, cane sugar and turpentine, joined hands chemically last month to produce an experimental batch of synthetic "sugar rubber" at the Ramsey Plantation near New Roads, La. More specifically, granulated white sugar was oxidized with nitric acid, mixed mechanically with turpentine, and then polymerized with hydrochloric acid. When the mixture thickened, the acids were neutralized with caustic soda. After the resultant black, spongy, rubberlike mass was washed, dried, and rolled into a ball, it bounced on the floor like unvulcanized native Para or plantation rubber.

Allan Ramsey Wurtele, owner of Ramsey Plantation, former lieutenant-commander U.S.N., and former chief engineer of the Federal Barge Lines, who invented a sugar cane harvester last year and is credited with introducing improved strains of sugar cane to Louisiana, conducted the experiment. Its basis is U.S. Patent No. 2,150,068, taken out by Ernest Kleiber of Lugano, Switzerland,

and assigned to Hevepar S.A., of Geneva, Switzerland.

Chemical engineers, who have checked the process roughly, but have had no opportunity to examine the product, state that the carbon contained in sugar and turpentine should be just as good a raw material for synthetic rubber as the carbon in coal, which has already been combined with "air and water" and other materials to produce various rubberlike substances, such as du Pont's Neoprene. They, however, are quick to point out that the price of coal per ton is considerably under that of sugar.

Ernest Lee Jahneke, former Assistant

Secretary of the Navy under Hoover and present executive director of the Department of Commerce and Industry of Louisiana, announces that further experiments will be conducted at Louisiana State University, Baton Rouge. Jahneke points out that about half the sugar cane lands in the state are idle, that the experiments may bring "salvation for the Louisiana sugar industry." American Sugar Cane League reports that about 31,000 acres of growing sugar cane in Louisiana, and about 7,500 acres in Florida, are now being plowed under to reduce 1939 production to quotas assigned by the Agricultural Adjustment Administration; 1938 production in Louisiana totaled 491,000 tons of sugar from 270,000 acres of cane.

Wurtele departed from New Orleans June 3, for Miami, Fla., in an effort to interest certain capitalists in financing the new sugar rubber industry.

### New in Heating and Air Cooling

**Recent developments are exhibited at meeting of big-city heating, piping, and air-conditioning contractors. Home installations change rapidly.**

INCONGRUOUS in the Gold Coast atmosphere of the Drake Hotel's ballroom wing was last week's exhibit of everything from a plain radiator to a year-round air conditioning system, from a tiny instrument to a towering boiler. Manufacturers had brought to Chicago their newest and choicest to spread before the 300 substantial big-city contractors who are the Heating, Piping, and Air Conditioning Contractors National Association. The outfit represents a lot of buying power, since its members get the lion's share of the big contracts for installing equipment in public buildings and factories and stores and power plants, in apartment houses and pretentious private homes and large-scale residential developments.

The big contractors said construction is doing nicely as it climbs a bit haltingly toward levels not reached since the joyous 20's, but profit margins are something else again.

Big buyers are close buyers, and though today's prices hold steady they don't leave enough gravy to spill on a vest. So the big projects, with competitive bidding, provide none too liberal nourishment for the contractor. In home construction things are a bit lean, also. Anybody who puts up a house for \$10,000 or \$15,000 cheerfully spends 10% of this for heating installation, goes materially higher if he has ambitions for summer cooling. But only 5% to 7% of a \$5,000 house budget is available for heating. Since most current residential construction is low-cost, contractors get

squeezed on their profit margins. So, for that matter, do manufacturers. At that, the big contractors admit they haven't too much to squawk over, since the greatest volume of house building is in the suburban areas of the big cities, right where they can get it handily, and there are many large-scale projects which are made to order for their organizations. The small-town contractor, they say, has to keep afloat principally on repairs and modernization jobs.

#### Systems Redesigned, Improved

House heating is changing rapidly, all the way from the fuel feed to the radiation. Only in low-cost housing is the radiator of the familiar type that stands out in the room, and even it has been redesigned to 40% less bulk. The swing is rapid toward convectors, which can be completely concealed in the wall, with openings so that room air circulates around the unit and thus heats the space. There are also units halfway between, with live-radiation fronts and in-the-wall convection. And there are many modernized warm air furnaces.

Hand in glove with the trend toward smaller heating units is pump-actuated circulation which does away with the need for a basement and brings quicker heat increase from smaller heating surfaces. One-pipe hot water systems are coming more into use. Steam systems get more efficient heating than before, through faster-working air valves.

Oil burners are getting stiff competition from stokers, since in many regions



Allan Ramsey Wurtele, who has made synthetic rubber from cane sugar and turpentine in experiments at his Louisiana plantation, as he left New Orleans for Miami, Fla., last week in hopes of interesting Eastern capitalists in a Louisiana rubber manufacturing plant.





American Gas Association

This gas refrigeration unit keeps a Philadelphia baker's retarded (or stored) dough at a temperature from 35 to 38 degrees F. and at a humidity of 85% plus. Servel, Inc., manufac-

turers of domestic gas refrigerators, stress the high humidities possible in their new development, the commercial gas refrigerator with one-quarter to one-half ton capacity.

coal can supply more B.t.u.'s per dollar. Combination oil burners and boilers, gas burners and boilers, were developed years ago. Now come the combination coal-burning boilers and stokers, which thus keep the coal completely under cover. Big homes can get these units with built-on screw conveyors which keep the ash enclosed in pipes, remove it to outdoor destination automatically, and thus permit the drying of fresh varnish in the boiler room without spoiling its surface—if anyone in the house has any such odd ambition.

Air conditioning is now a major department for the steamfitting contractors. They are certain it has passed the experimental stage, stoutly maintain that an up-to-date high-quality 1939 installation won't be obsolete for many years. Some contractors are kept busy installing air conditioning equipment for commercial and industrial purposes. Others are going strong with home attic fan installations.

#### Home Units: Costs and Prospects

Residential air conditioning causes less optimism among them, because it comes so slowly. Unless the householder can do his cooling with very cold water from his own well, the cost to run the plant may be fairly high at prevailing central-station rates, but the prospect is for substantial rate reductions.

The newest type of year-round radiator to air-condition one or more rooms from a single unit is promising. It can be installed for less than \$800 and operated for a single floor all summer at perhaps \$60 for power. As makers broaden their markets for this type of air conditioning with radiator heat, the equipment is likely to cost a good deal less.

## Business Electrolux

Servel markets gas-cooled refrigerator, adapted to commercial use.

GAS COMPANIES in New Orleans, Detroit, and other large cities are now selling, "at an encouraging pace," Electrolux commercial, gas-cooled refrigerators with  $\frac{1}{4}$ - to  $\frac{1}{2}$ -ton capacities. The new units, which were developed by Servel, Inc., Evansville, Ind., used the "cooling-with-heat" principle of operation that Servel has used for several years in its domestic refrigerator, the Electrolux.

#### Made to Meet Humidity Need, Too

The new apparatus will compete in the general markets for refrigerating equipment with the products of other companies, but Servel is particularly interested in those industries which require refrigeration *plus* humidity. The company claims that the new unit not only holds temperatures more evenly than has been feasible in the past, but that there is also less of a temperature differential between the cooling coils and the refrigerated space; that, consequently, less moisture is removed (by condensation) from the low temperature space or its contents. Butcher shops, bakeries, restaurants, dairies, and florists will be particularly interested, Servel thinks. Doughs being held in a baker's retarded dough box (see photograph), for instance, will crust over if humidities are not kept high.

Ammonia is the refrigerating compound. A gas flame evaporates it from a water solution into a series of hermetically sealed steel tubes and cylinders welded together to form a single, inter-

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Smithfield,

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P. D. Gwaltney, Jr., holding Gwaltney's famous "Believe-it-or-not" 1902 Ham, featured by Ripley. The P. D. Gwaltney, Jr. & Co. is located at Smithfield, Va., home of hams made from peanut-fed hogs.

## Easy to find your potential savings

Looking for added profits? Consider the Gwaltney experience. With liquid fuel, Gwaltney spent nearly a dime a hog in fuel; there was a smoke nuisance, and steam pressure varied excessively. Then Gwaltney installed an Iron Fireman Poweram. Fuel costs tumbled 66%—down to 3.3 cents a hog. And fuel savings are only the *beginning* of Gwaltney's many betterments with Iron Fireman... steam pressure is steady and all smoke nuisance has been eliminated.

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The Iron Fireman Poweram, world's standard power stoker; combines light-running worm feed with ram distribution of coal in retort.



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Automatic Coal Stoker

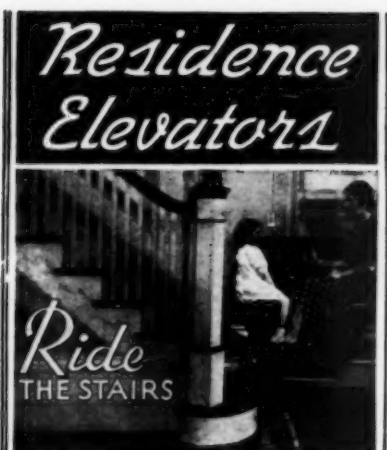
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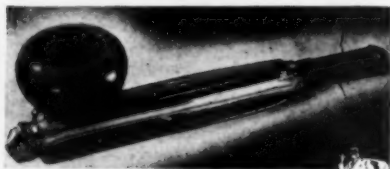
Easily installed in stairwell, closet or corner of room. No overhead machinery; shaft enclosure not essential. Cars made any size up to wheel-chair capacity. Full information and name of nearest representative will be sent on request.

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**BUSINESS WEEK**

communicating container. The ammonia vapor is dried, cooled, condensed into a liquid and finally dropped into an evaporator where, by expanding into a vapor again, it cools by absorbing heat from the surrounding space. The vapor is then absorbed into water once more, only to be re-evaporated over and over again with the gas flame.

In the home Electrolux, the evaporator is the familiar casing around the ice-cube trays; in the commercial model, the evaporator can be separate from the refriger-

ated space. In the latter case, the evaporating unit is surrounded by a second condenser containing a secondary refrigerant such as methyl chloride. This refrigerant is piped to any box or display case that the customer wants to refrigerate.

The commercial Electrolux also differs from the domestic one in that it maintains required temperatures by being alternately full-on and full-off. The coils then have a chance to defrost automatically between the "on" cycles.

## NEW PRODUCTS

### Self-Oiling Universal

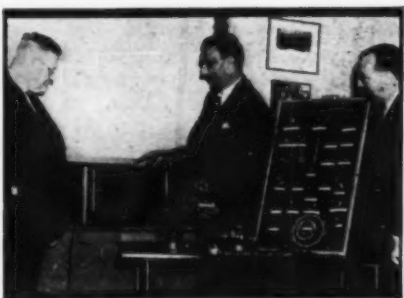
THE CENTER BLOCK of the new Oilite Universal Joint, made by Curtis Universal Joint Co., Inc., Springfield, Mass., and sold by Boston Gear Works, Inc., North Quincy, Mass., is machined out of Super-Oilite metal, a development of Chrysler Corp., Detroit. Composition of



the metal is 75% powdered iron and 25% powdered copper, compressed under heavy hydraulic pressure. Controlled voids in the resultant metal act as reservoirs for lubricating oil, as in oilless bearings. Strength of the center block is about 80% that of solid steel customarily used.

### "Cool Breeze" Conditioner

EXECUTIVES OF Chrysler Corp.'s Airtemp Division, Dayton, O., pause from their normal labors long enough to inspect the first Cool Breeze Window Air Condi-



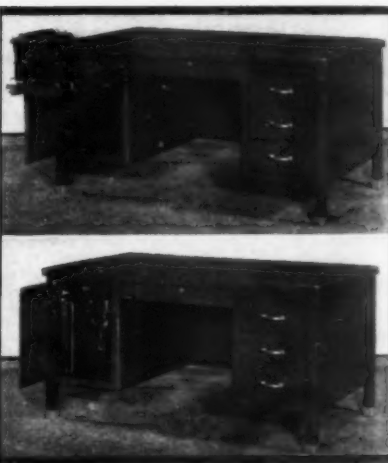
tioner to come from the production line. Only 12 in. high and 21 in. long, the little device cools and dehumidifies the atmosphere in an office or living room. Its features include a radial compressor of unique design and "Superfinish" on moving parts as extra insurance against wear and service troubles.

### Book Berets

BOOKS ON SHELVES can be made oil-, ink-, and dust-proof with oiled silk "Dust Berets"—transparent caps with elastic edges that fit snugly over the topsides of ordinary-sized books. Blossom Manufacturing Co., 79 Madison Ave., New York City, which developed them, also furnishes oiled silk for protecting book covers.

### Secretarial Convenience

IN THE SECRETARY'S MODEL of the new Mainliner Desk Line, developed by Art Metal Construction Co., Jamestown,



N. Y., will be found the Art Metal Fold-O-Way Typewriter Shelf. Though the typewriter hangs in an unusual position when not in use, it is so counterbalanced that it requires no more energy to place it in writing position than to open or close a desk drawer.

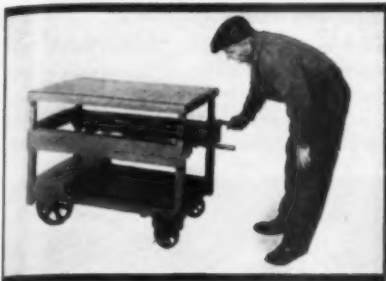
### Nickel Flake

PURE NICKEL FLAKE for incorporation in lacquer and printing ink is now being manufactured successfully by Metals Disintegrating Co., Morris Ave., Elizabeth, N. J. Lacquers and inks so treated combine a metallic luster with a warmth of color. Although they are lustrous in a bright light, there is none of the glare associated with polished metal. Tests

are expected to show unusual protective qualities.

### Bench, Truck, and Lifter

ALL THE FUNCTIONS of work bench, floor truck, and lifter find themselves combined in the Lifiable, just being placed



on the market by Service Caster & Truck Co., 630 N. Townsend Ave., Albion, Mich. Carrying a maximum load of 2,000 lb., the table top can be raised from 1 in. to 14 in. from lowered position. Outfit, which may be custom built to handle 5,000 lb., is guaranteed to remain rigid at any height.

### Picnic Gloves

ONE DAY JIM LITTLE, 790 Garfield Blvd., Danville, Ill., was at a picnic. One of his friends was badly burned over an open fire. Jim Little made up small edi-

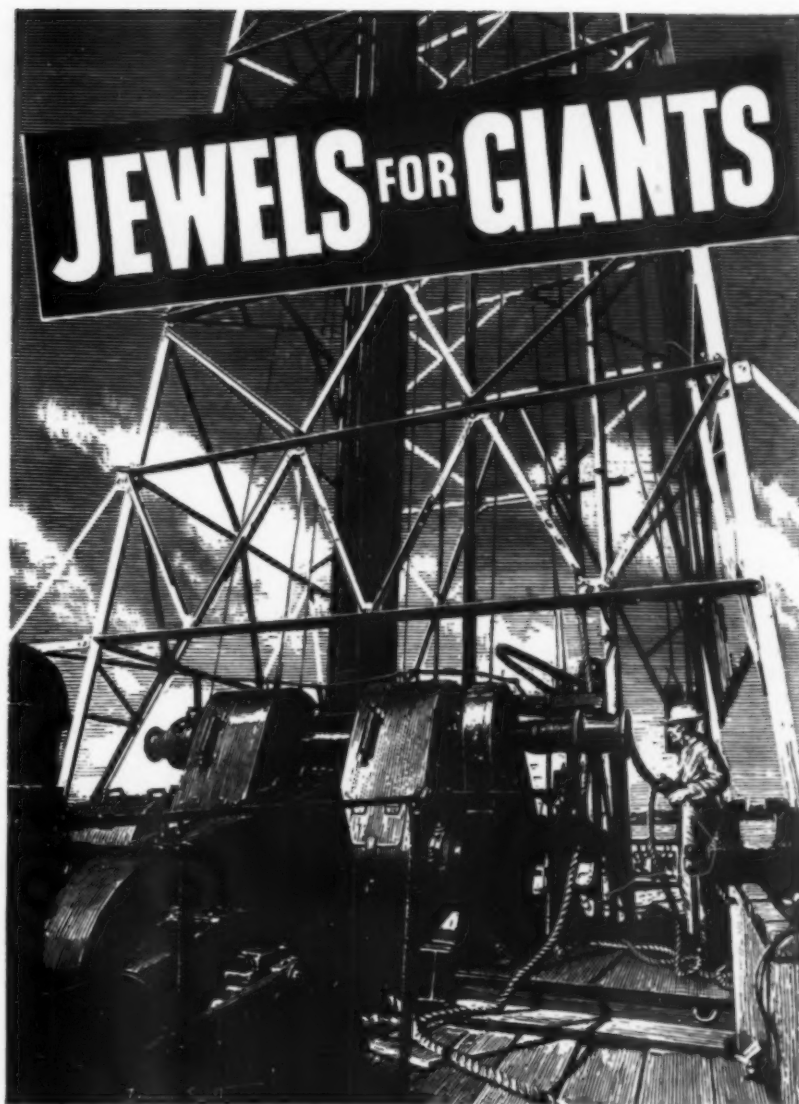


tions of the protective asbestos gloves used by welders, gave the gloves to his friends. Now he is marketing the gloves under the name of Kool-Grips.

### PRODUCTION ANGLES

#### Pine Newsprint Mill

FIRST NEWSPRINT paper mill in the United States to use the common yellow southern pine commercially was dedicated at Herty (near Lufkin, Tex.), last month, before 250 newspaper publishers, technicians, and invited guests. The mill, now half finished, will be ready by the end of the year. Owned by Southland Paper Mill, Inc., it will have a capacity of 150 tons of newsprint daily or 50,000 tons a year, and will use 80% mechanical pine pulp and 20% sulphate pulp (not sulphite). The latter comes from the Houston plant of Champion Paper & Fibre Co., operating under a coopera-



That's just what they are—these dependable Hyatt Roller Bearings—jewels for the giants of industry. On them and around them turn the shafts, gears, and wheels which operate mechanical equipment in field and factory, on railways and highways. Like a fully jewelled

watch movement, "fully Hyatt equipped" is synonymous with better performance, greater economy and longer life. Hyatt Bearings Division, General Motors Sales Corporation, Harrison, New Jersey; Chicago, Pittsburgh, Detroit and San Francisco.



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# Roller Bearings





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THE merchant knows that broken plate glass means broken trade. Bind up his display with a bandage of boards and you check the flow of customers—cutting a deep gash into sales.

For this emergency case of sales sickness a glazier is the only doctor. A quick diagnosis. An operation to remove broken pieces. A few expert strokes

with the cutter. Next, fitting. Then remove the bandage and find the wound well—sales healed and healthy again.

Plate Glass Insurance is the merchant's best medicine for sales sickness. When glass breaks, he has only to telephone his insurance agent. Replacement service at ambulance speed is his without trouble, worry, expense.

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DO NOT  
LAMENT  
LOSS!**

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**NEENAH**

*Look for Neenah in the watermark*

Time was when letterheads were drab affairs, with scroll types, lists of officers, unsightly plant pictures—when one letterhead served all requirements.

Not so today. Modern business uses several letterheads, in sales promotion, for executive correspondence, for interplant memoranda. Colorful and attractive, they win prestige and make sales.

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tive arrangement. Mill will cost \$6,000,000, of which Reconstruction Finance Corp. lent \$3,500,000, while Texas capital supplied the rest. About 30 newspapers in Texas, Oklahoma, Louisiana, and Arkansas will get newsprint from the new mill.

## Flames for Spindles

ONE OF THE LARGEST "flame hardening" operations since the development of surface hardening by the oxyacetylene process was performed recently on a carbon steel lathe spindle, 63 in. in diameter.



Air Reduction Sales Co., New York, provided the Aircro oxyacetylene equipment; Westinghouse Electric & Mfg. Co., East Pittsburgh, did the job.

## Books and Handbooks

HARD-TO-FIND INFORMATION on six varied subjects: (1) "Hand Book of Building Maintenance"—Flexrock Co., 2301 Manning St., Philadelphia; (2) "Stopping Profit Leaks Beyond the Production Line," describes new packing and shipping methods—Acme Steel Co., 2840 Archer Ave., Chicago; (3) "How to Make Good Waterproofed Concrete"—Medusa Portland Cement Co., 1000 Midland Bldg., Cleveland; (4) "New Paths to Profits," takes the mystery out of plastics—Bakelite Corp., 247 Park Ave., New York; (5) "Catalog M," includes 30 pages of engineering data on roller chain application—Baldwin-Duckworth Chain Corp., Springfield, Mass.; (6) "Smith Casing," presents the engineering background of stronger casings for deeper oil wells—A. O. Smith Corp., Milwaukee.

## New Plant for Carboly

KEYED TO AN INCREASING demand for Carboly cemented carbide products, Carboly Co., Inc. opens its new 121,750 sq.ft. plant and general office just beyond the city limits of Detroit, on E. 8-Mile Road. New facilities include two 300-ton presses for the production of ingots from powdered metals and 18 electric furnaces for reduction, carbonizing, sintering, and brazing. Special lighting provides 50 foot-candles of illumination on the working plane of some departments. Air conditioning provides constant temperature and humidity in the powder-metal department. The new plant replaces three former plants in Stamford, Conn., Cleveland, and Detroit.

## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

### Where Will Foremen Go?

**New union may enter C. I. O., but employers, who feel that foremen represent them, oppose separate union. Many firms offer plans for foreman training.**

AROUND DETROIT AND CLEVELAND during the past few weeks a red-hot rumor has been heard. Business reaction to the rumor is, variously, "That's bad," "It's impossible," or "What next?" The rumor is that a labor union for foremen is being organized. Tentatively known as the United Foremen and Supervisors, the union may be affiliated with the Congress of Industrial Organizations, if C.I.O. is interested.

Customary labor-union reaction would be against including foremen. In fact, most of the unions have opposed the admission of anyone from supervisory ranks, although in scattered instances foremen are members. Employers, on the other hand, have now and then urged the supervisory workers to take an active interest in unionization. And one of the proposed amendments to the Wagner Act which now is being stoutly opposed by the National Labor Relations Board is that which states that nothing in the act "shall restrict supervisory employees from joining or becoming members of labor organizations." Chairman Madden of NLRB, in completing his statement before the Senate committee last week, declared: "I do not think it an exaggeration to say that enactment . . . would destroy the act."

But a union of foremen by foremen and for foremen would be something else again. Employers usually have thought of foreman as being "part of management," not of labor. Just *what* the foreman's position is, in fact, has become one of the most confusing subjects in industrial relations during the past three years of union activity.

#### He Evidences a Busy Interest

The foreman is interested, often more than management, in finding out all he can about his authority, his chances for advancement, and proper ways to meet new conditions. As an example of this interest business could have looked in on Town Hall in New York City a couple of weeks ago, and seen several hundred foremen registering for a two-day educational forum sponsored by the National Council of Foremen's Clubs. A week earlier, the Western Reserve Association of Foremen's Clubs was packing them in

for intensive training seminars at Cleveland. This week the big Ohio regional conference of foremen was on at Columbus, O., next week will feature the ninth annual foremen's conference of Western Pennsylvania, at Conneaut Lake Park, and immediately thereafter Connecticut foremen will hold a big powwow at Camp Hazen, Conn. Some 30,000 to 40,000 of the "management contact men" will schedule their vacation periods to fit in with one or more of such meetings. And the summer program will wind up with the mammoth meeting of the National Association of Foremen, which is expected to pull 5,000 to 7,000 delegates into Pittsburgh next September.

#### One Big Foremen's Setup?

Foremen's clubs, of course, aren't new; for years they have been strongly organized in Ohio, Pennsylvania, Connecticut, and other states, and since last fall (BW—Oct 1 '38, p. 43) there has been a notable increase in the numbers of new groups affiliated with either the National Association of Foremen or the National Council of Foremen's Clubs. These two big federations are leaning toward an agreement at the present time, which may bring all foremen's clubs under one roof. Final decision will come from the N.A.F. meeting in September.

But in the meantime, a bigger trend is on—the move of employers to help train foremen to meet present-day problems. Employers feel that under the Wagner Act they are hampered in advising employees, but that the foremen have a relatively free hand. The necessity for them to give a yes or no to workers' demands means that they must be diplomatic, smart, and well-trained. During the recent Cleveland foremen's meeting, a business editor (John Love of the *Cleveland Press*) summed up the main reason for improved foreman training:

"Many a company has come to realize that to keep going under all the demands of these times, the responsibilities of management have to be carried in part by the foreman. One industrial manager who has 800 foremen says that most of his industrial disputes have arisen over questions the foremen did not understand. . . . Three years ago no less than

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Instead, why not put your washrooms on a paying basis? How? By making them work constructively as part of your industrial relations program. Plenty of hot water, soap, sanitary ScotTissue Towels turn washrooms into daily builders of valuable employee good will.

Most important of all—your washrooms can be made modern, up-to-date without one cent of additional cost. Why not send for this free booklet of efficiency and cost-reducing facts already used to put thousands of washrooms on a satisfactory and economical basis?

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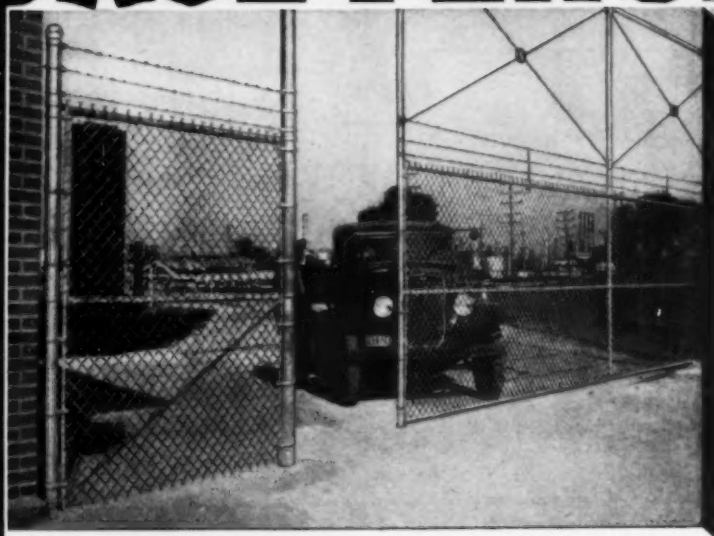
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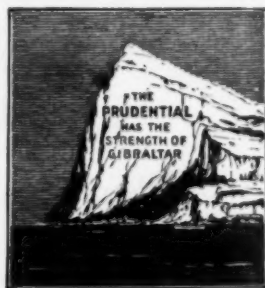
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fence metals to fit all atmospheric conditions and an exclusive wing channel post designed for greater utility. One of our 92 Association Members is nearby to render skilled, courteous service. Secure his name and free literature—write PAGE FENCE ASSOCIATION, Bridgeport, Conn.



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**THE PRUDENTIAL**  
INSURANCE COMPANY OF AMERICA

Home Office: Newark, N. J.

50 of our larger concerns had given introductory courses in foremanship in the early 1920's, but the work had been dropped after a year or so. Today's rapidly changing conditions are reviving the interest."

A poll of business executives clearly reveals the employers' attitude toward the foreman: "He is a part of management, whether he has the right to hire and fire, or not. He may have been, and in many cases was, on labor's side of the fence once, but he is on management's side now." And this view coincides with that of the NLRB.

### They Could Use More Training

Despite this unanimity of opinion as to the classification of foremen, however, there still is frequently a considerable gap between foremen and their immediate superiors in supervision. Reasons are various, but prominent among them are these:

1. Some foremen are not supervisory executives; they are straw bosses with little authority and little responsibility. It is admitted that many "foremen" are workers picked from the ranks who are given a 5¢-an-hour increase in wages and a title. This is not enough, according to most modern-day business planners, to equip a man to handle a gang of any size.

2. The selection and training of foremen for a long time has been on a hit-or-miss basis. Authorities in foreman education have estimated that some 5% of all foremen now active were trained to be foremen; the rest had to pick up the "know how" as they went along.

3. Foremen are often "tough customers" who cannot easily be trained in new concepts. Confronted with the suggestion that collective bargaining requires study, many foremen retort, "I've run this job for 30 years and haven't had any complaints—and if I'm not doing it right, this is a fine time to be telling me!"

### How Companies Are Doing Job

Management interest varies all the way from casual attention to intensive planning and direction of training courses. Companies like Western Electric, Kimberly-Clark, Armstrong Cork, General Electric, and Westinghouse—to name only a few—are spending lots of money and time in educating the foreman. This is done in a variety of ways—by encouraging the foremen's clubs to build libraries, by setting up night schools for foremen and supervisors, by renting industrial movies, by sponsoring trips for foremen through plants of other industries, by inviting prominent industrialists, economists, and educators in many lines to come to talk to the foremen.

Management associations, too, are doing all they can to further foremen education. The American Management Association sends out dozens of letters a day, answering specific questions about new methods. The National Industrial



Conference Board forwards material and advice to some 1,200 companies that have formal training plans either for executives, foremen, or workers, and at present is making a survey to determine the exact number which are interested in foreman training. The National Association of Manufacturers offers a wide range of aids to its members, including charts, economic studies, rating forms, industrial movies, and other media which can be passed along to the supervisory staff.

#### Washington in This Business, Too

Some companies prepare all their educational material themselves, but there are a number of good training courses which are prepared by specialists in supervision, and offered either in single subscriptions or in bulk lots to businesses which want their foremen to use them. The federal government is in the foreman-training business, and has been since 1913. State boards of education offer help to employers, and if the company will pay half the cost of a training course the federal government can pay the other half under the Smith-Hughes Act.

Commercial training programs are offered by many companies, among them the International Correspondence Schools, the National Metal Trades course, the National Foremen's Institute, Elliott Service, the Sales Analysis Institute, and sundry services offered by the industrial service department of the Y.M.C.A., which also sponsors the National Council of Foremen's Clubs.

"Labor trouble" still is the touchiest subject which foremen's meetings face, and the majority of such conclaves steer well away from any controversial debates about it. They prefer to stick to such matters as plant safety, production problems, and new products and methods.

One service, that offered by the national foremen's magazine, *Supervision*, digs into labor relations problems in each issue. It also is one of the services which management sometimes adds to the instruction course for supervisors, through an arrangement whereby the company pays part of the subscription cost and the individual or club pays the balance.

#### Auto Labor Rivals

**Martin gets A.F.L. charter; ready to tangle with C.I.O. as Briggs strike ends.**

THE AMERICAN FEDERATION OF LABOR and the Congress of Industrial Organizations were ready to carry their war into Detroit this week, and business men in that area were wondering if the postponed peace parleys between the two labor federations would be resumed in time to prevent hand-to-hand scrapping in the automotive plants.

The C.I.O. section of the United Automobile Workers had concluded its strike

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**Sensational new low cost models  
with famous Meter-Miser  
mechanism operate for as little  
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• Employees feel better and work better when a cool, refreshing drink of water is always available. Act now to increase efficiency and comfort by equipping your office or offices with one or more Frigidaire Water Coolers. Ideally suited to the needs of small offices is a new low cost model powered by the famous Frigidaire Meter-Miser mechanism. Only 15c a day buys this sensational model . . . as little as 2c a day operates it. Attractive design . . . compactly built . . . available for either bottled water or city pressure connection. Get full information now. See "Water Coolers" section of your Classified Telephone Directory for location of your nearest Frigidaire Dealer. Or write: Frigidaire Commercial Division, General Motors Sales Corporation, Dayton, Ohio.

*Frigidaire Water Cooler Models for All Types of  
Offices, Stores and Factories*

## FRIGIDAIRE WATER COOLERS

**Made Only By General Motors**

against Briggs Mfg. Co., winning a renewal of its contract there but losing prestige all around because the workers were pulled off the job for two weeks to gain an agreement which could have been had through arbitration of grievances while the old contract continued in force. Generally, Detroit felt that the strike was ill-timed and poorly conducted, and that the sole gain to C.I.O. was made through its ability to show its numerical strength.

Helping speed this week's agreement was Homer Martin's announcement that his part of U.A.W. had voted to accept his recommendations, and that consequently it had "now become a part of the A.F.L." And this announcement, long expected, was the last bit of stage-setting needed as a prelude to big trouble.

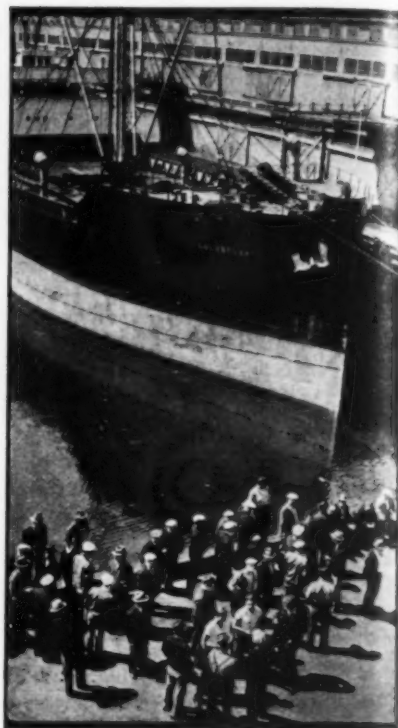
Meanwhile, Detroit management continued to be harassed by demands for the "union shop," and in several places stood ready to discuss it openly and fairly with the unions if the workers would take piecework instead of day-work. The union leaders, however, seemed rather apathetic to such talk.

## "Hiring Hall" Strike

**Unions tie up Maritime Commission ship in Seattle. Portland dispute is settled.**

A MINOR SHOWDOWN arrived this week between Pacific Coast ship-and-dock unions and the U. S. Maritime Commission, over the commission's policy of hiring seamen through employment offices of its own, rather than through union hiring halls. For the moment, the Sailors Union of the Pacific (A.F.L.) and the Maritime Federation of the Pacific (C.I.O.) held the upper hand. They had tied up the *Coldbrook*, first ship put into service by the commission's new Northwest-Orient line, with a tight picket-line in Seattle. Coming up from the Panama Canal was the commission's second freighter, for which a like fate was waiting in the northern port.

The *Coldbrook's* unlicensed personnel were paid off, and the licensed men (who never have been hired through the halls) stayed on board. While the pickets



The U. S. Maritime Commission's new freighter service to the Orient is stalled in Seattle by the unions.

marched, both Harry Lundeberg (secretary of the Sailors Union) and officials of the C.I.O. threatened a Coastwide waterfront strike unless the commission came to terms. But observers believed that this was mostly a move for pressure through public impatience, and that the disturbance would be confined entirely to the Maritime Commission's steamship operations.

## Back to Work in Portland

Meanwhile, general labor conditions on the Pacific waterfronts tended to iron themselves out amicably, and indications were that the machinery for settling disputes was working. The flurry in Portland late last month over the steamer *William Luckenbach*, in which the Waterfront Employers Association closed the port for several days, alleging violation of contracts by the International Longshoremen's and Warehousemen's Union (C.I.O.), and which had seen the union served with an injunction under Oregon's hazy anti-picketing law, ended in arbitration. Wayne Morse, the arbitrator, found that the longshoremen's union was in the wrong in quitting the ship without using the established machinery for settling disputes, and that the employers were wrong in closing the port before arbitration had a chance to work. So all went back to work.

As far as employers are concerned, the coastwide contracts between their association and the longshoremen's union

## "The World of Tomorrow built with the Tools of Today"

The New York World's Fair, 1939, features...

**TOMORROW'S BUILDINGS:** Fifty of them were speeded to completion with a thousand self-feeding *Bostitch Hammers* ... tacking building paper and insulation ... driving home a staple with every rapid one-hand blow. (Ask for folder, "CLICK! TACK!")

**TOMORROW'S PRODUCTS:** Automobiles ... now stitched with *Bostitch Steel Stitchers* ... saving yearly up to ten times the equipment cost ... many other products, too ... where steel is fastened to steel or other materials. (Send for sample "STITCHING THROUGH STEEL.")

**TOMORROW'S METHODS:** Stapling filled shipping containers entirely from outside ... a pilfer-proof, moisture-proof seal ... with new double-grip *Bostitch Autoclensh*. (Write for "BOSTITCH IN THE SHIPPING ROOM.")

**TOMORROW'S PROFITS:** Stitching steel or carding fragile bottles ... making mattresses for the bed of the Mississippi or packaging delicate orchids ... *Bostitch* turns fastening problems of today into profits for tomorrow. (Write for information or send samples for suggestions.)



EASY TO GET ... 300 specializing representatives in 81 U.S. cities, 39 foreign countries.

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can be present president Harry Lundeberg told him that the commission's wish was to have the And, lo, days, the considerable

## Clos

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Nor on case are country promises this week agreed to District serious legality

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## Want

It wa could se ing con San Fra with th appeali fication. employe importa estimate math of has res labor re lective l the emp —they the cou law coin court. B

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can be renewed next Sept. 30 in their present form. Last week F. P. Foisie, president of the employers' group, wrote Harry Bridges of the union and told him that the shipowners would consider the contracts in force for another 12 months, unless the union gave notice of a wish for a change prior to July 31. And, looking back on waterfront war days, that was an indication of a considerable desire for peace.

## Closed Shop Appeal

**California Supreme Court agrees to review decision outlawing union agreement.**

NOT ONLY IN CALIFORNIA, where the case arose, but in other sections of the country students of labor law were promised settlement of a tough problem this week. The California Supreme Court agreed to review a decision by that state's District Court of Appeals, under which serious doubt had been cast on the legality of closed-shop contracts.

The case in point involves the Howard Automobile Co. in San Francisco and the Retail Automobile Salesmen's Union (A.F.L.), which picketed the company in an attempt to force unionization (BW—Apr 15 '39, p24). After an action brought against the union by 32 salesmen, the District Court issued a statement which has confused everyone, employer or employee, who is connected with exclusive labor contracts. The court said: "The stated policy declared in the state labor code renders unlawful every contract between an employer and employee wherein the latter agrees to join or remain a member of any labor organization."

## Want Policy Cleared Up

It was murder, as far as the unions could see, and it pointed toward unending confusion for many employers. The San Francisco Employers' Council joined with the Retail Salesmen's Union in appealing for state Supreme Court clarification. In asking for a final ruling, the employers' group declared that "the importance of this case cannot be overestimated" and added that, as an aftermath of the lower court's ruling, "there has resulted the utmost confusion, on labor relations and in negotiation of collective bargaining agreements." Not that the employers disagreed with the ruling—they made it plain in their brief that the council's understanding of the state law coincided with that of the appeals court. But they wanted it to be certified.

Losers in this week's ruling by the state Supreme Court were the Howard Automobile Co. and the 32 salesmen who started the action against the union. They were joined by the Associated Farmers of California and six northern California dairy companies, in declaring



## PACKAGING



### New Hi-Gloss Ink Peps up Knox Gelatine Package

A new hi-gloss carton ink recently developed by Sutherland Paper Company, Kalamazoo, Mich., and the International Printing Ink Company gives an exciting lustre to paperboard packages. It has a strong appeal for old established manufacturers who want to retain long-accepted design identity, but who wish a



fresher, brighter appearance for their packages.

The Chas. B. Knox Gelatine Co., Johnstown, N. Y., for instance, recently chose Sutherland's hi-gloss ink printing for individual and display cartons. Knox's familiar package design has been recognized by mother and daughter for more than two generations.

Thus, a fifty-year old design remains unchanged, but takes on a new brilliance that makes Knox cartons surprisingly outstanding on grocers' shelves. And the gelatine manufacturers report that the new cartons run through their packaging machinery faster, more smoothly than before.

Knox's new package development ties in very appropriately with that organization's recent announcement of new uses for the product itself. Research proved that Knox Gelatine taken with water or fruit juice increases endurance, lessens fatigue, is valuable for special diets and treatments.

### Grade A Tomatoes Sell Better

A large national food chain organization has found it most satisfactory to merchandise grade A tomatoes in transparent window packages. Carefully selected and ripened tomatoes are placed in attractively printed cartons packed as one pound units.

Tomatoes, uniform in size, receive needed protection from the perils of handling. Moreover, the carton provides the consumer with a handy package for keeping tomatoes in the refrigerator.

Sutherland Paper Company has special machinery for producing this glued, collapsed style of box for packaging tomatoes. The carton is shipped flat,



easily set-up and easily filled. It features a diagonal fold, requires no gluing or interlocking.

### Modern Dress for Meat Loaves

For a manufacturer and distributor of luncheon meats and provisions, Sutherland Paper Company has developed two types of effective meat loaf packages.

Peter Eckrich and Sons Inc., with plants in three Michigan and four Indiana cities needed two styles of economical packages for delivering meat loaves in wholesale units. Sutherland created an attractive sleeve carton with fold-over flaps at the ends for rectangular loaves and a wrap-around carton for semi-globular loaves. The new cartons have proved highly successful because they give loaves necessary ventilation, prevent spoilage from molding.

Formerly, loaves were merchandised in printed transparent cellulose film wrappers. Now, packing is done nearly twice as rapidly as before. Retailers find loaves are better protected, easier to handle in their new cartons.



The Eckrich Company bakes "home-made" loaves in Sutherland's Bake-A-Pie paper plates. The consumer receives the benefit of an extra measure of sanitation,—the producer is relieved of scraping and washing messy tins.

### Complete Control Counts

When a carton manufacturer has complete control over every detail of production, starting from paperboard raw materials, it is in a position to keep quality at a high standard. That is the explanation of the exceptional packaging service offered by Sutherland Paper Company, Kalamazoo, Michigan.

Advertisement



**WANTED—PRODUCT**

For Manufacture or Sale

Manufacturer of flat-weave floor coverings is seeking suitable product for manufacture or sale during last six months every year. Has sufficient production during first half of year, and would like to secure merchandise for manufacture or sale during last half of year.

80-777, Business Week  
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LOAN CORPORATION**
**DIVIDEND NOTICE**

Dividends have been declared by the Board of Directors, as follows:

**PRIOR PREFERENCE STOCK**

\$2.50 Dividend Series of 1938

62½¢ per share

**COMMON STOCK**

45¢ per share

Both dividends are payable June 30, 1939 to stockholders of record at close of business June 15, 1939.

E. A. BAILEY

June 1, 1939

Treasurer

that a hearing by the higher court "would serve no useful purpose," and that the effect of the state labor code "is not to forbid closed shop contracts, but to prevent their use as instruments of coercion."

In a way, the unions themselves were responsible for the troublesome problem, because of their insistence years ago that the state labor code include provisions against "yellow dog" contracts by which employers could force employees to sign pledges against joining unions. The yellow-dog provisions turned around and bit the unions, in the Howard case, as the court obviously held the opinion that they prevented not only employers, but labor organizations, from compelling workers to sign up on agreements.

## LABOR ANGLES

### Ship Strikers Return

LAST WEEK-END, after nine days on the beach, 560 unlicensed personnel in the engine and deck departments of the

Eastern Steamship Lines voted (by a margin of six votes) to go back to their ships without wage increases. Informed observers feel that the fact that the company continued firm in its contention that it could not afford increases (*BW—June 3, 39, p. 41*), even during the ordinarily profitable Memorial Day weekend, caused the men to become convinced themselves that the company was not bluffing. The strike for higher pay threw 550 unsympathetic stewards out of work and caused the company to lay off about 2,000 office and other shore workers for a day and a half.

### 40,000 Years

REAL "FORTY-PLUSSERS" got a nod in Cleveland last week, when 130 local firms joined the Chamber of Commerce in putting on a big dinner for a thousand employees. Each of the 1,000 men and women invited was a veteran of 40 years or more in active service; more than 700 of them came, and each received a medal. Biggest delegation of 40-year employees came from New York Central Railroad, which had 103 on the rolls, and the oldest man in point of service was a veteran with 61 years on the job. Incidentally, a good number of employers present were themselves members of the 40-plus club.

### Time Will Tell

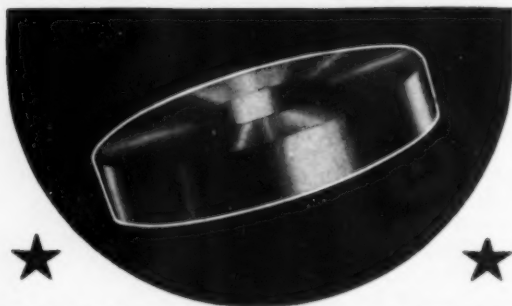
AFTER THE NATIONAL LABOR RELATIONS Board softens its rules to permit employers to petition for employee elections, interested observers will get an answer to a big question. The question: "Will it make much difference?" And the answer, judging by New York State's experience, is that it won't. Complete figures for the first 18 months' experience under that state's "Little Wagner Act," which allows such employer initiative, show that a total of 2,081 representation petitions were brought to the board. Of these, employers filed 61, and the rest came from unions. More important than the lack of interest on the employer's part, however, is the fact that no matter who brings the petition, the result is much the same. If a union wins the election, it demands a written contract. If it loses—it keeps on organizing and files another petition later.

### "No Union" Gains

AN UNUSUAL TREND is indicated in the most recent report of employee elections by NLRB—of the latest 35 elections, 10 went non-union. Later reports will have to be awaited to see if this represents a valid index or is too small a sample. Other results were: C.I.O. entered 23 contests, won 13; A.F.L. entered 21, won 12; independents entered 3, won none. The reluctance of A.F.L. and C.I.O. to tie into each other again was emphasized, inasmuch as they entered the same tests only eight times. In these, each won 3, and "no union" took the other 2.



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IN ZINC • NICKEL • COPPER • BRASS • BRONZE AND TIN**



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● Electro coated Thomastrip is cutting costs for many manufacturers. Through our special rolling and plating processes, Nickel, Brass, Copper and other electro coatings can be supplied economically and will not crack or peel during forming operations. The exceptional quality of the coatings frequently eliminates further finishing operations.

Thomas processes achieve quality coatings for many requirements and solve the problem of finish by obtaining the desired quality at the least cost. Let us discuss your requirements and see if we have a definite economy to offer you.

**THE THOMAS STEEL COMPANY • Warren, Ohio**

SPECIALIZED PRODUCERS OF COLD ROLLED STRIP STEEL

# MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

## New Financing Picks Up

**Heavy investment demand speeds bankers' arrangements for sale of large bond issues. Stock and commodity markets continue to drag.**

IF THE WEATHER reminds you that it's coming on vacation time, think for a moment of the boys in Wall Street. They have so little to do that they might very well take vacations—if they could afford to go any place.

In all truth, it's no joking matter. It has been a rare week recently which has seen trading volume averaging more than 300,000 shares a day on the New York Stock Exchange. A lot of brokers haven't been taking in much more than enough to pay their phone bills. Junior clerks are being laid off or, at best, are taking "Scotch weeks"—a week a month off without pay. The problem of Wall Street unemployment once more bids fair to become acute.

That's one phase of these dull markets, quite aside from the restrictive effect they have on business. That prices, for the most part, continue steady to firm is, of course, encouraging. That sentiment toward commodity and security markets remains constructive in the main is to the good. But as long as trading drags as it has recently, the smart money will stay on the sidelines.

About the only place where there is a distinct sign of a pickup is in the new issue market. There are more new corporate bond issues being offered, ready for offering, or being prepared for registry with the Securities and Exchange Commission right now than at any time for a long while past.

Bond men are convinced that they can easily sell all the new, high-grade securities they can get their hands on.

This week saw the marketing of three sizable corporate issues—\$18,000,000 of West Texas Utilities 3½% first mortgage bonds, \$10,000,000 of Houston Oil 4½% debentures, and \$7,000,000 Consolidated Gas of Baltimore 3% first mortgage bonds (the latter at a price of 105 which returns the investor little more than 2½% over the life of the bonds).

Other issues in registry or in the negotiation stage, as follows, give some idea of sales which can be expected in the near future: \$135,000,000 of refunding bonds for Pennsylvania Power & Light Co.; \$50,000,000 of 3% debentures for Socony Vacuum Oil Co.; \$25,000,000 of 3½% bonds for Bethlehem Steel; \$22,-

500,000 of first mortgage 3½% bonds and a \$2,000,000 2½% note for Indiana & Michigan Electric Co.; a 3% bank loan of \$18,000,000 for refunding purposes for B. F. Goodrich; \$14,750,000 of first mortgage bonds and \$3,000,000 of debentures for Central Illinois Electric & Gas, and \$13,000,000 of bonds and 60,000 shares of 5½% preferred for New York State Electric & Gas Corp.

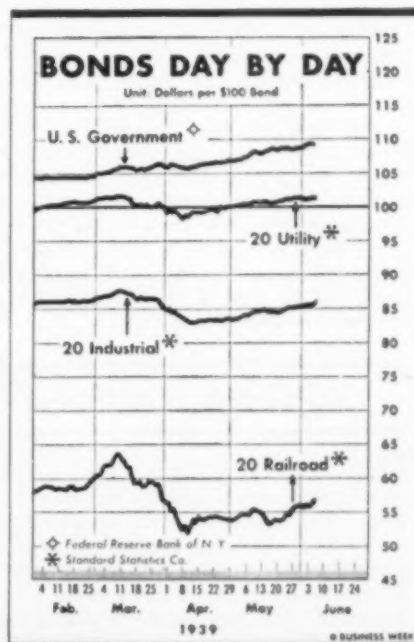
Shortly to appear are a couple of those rare birds, common stock issues. Aircraft manufacturing companies, most of which are swamped with business, frequently have been in the market recently to raise new capital, and these issues fall in that industrial group. Aviation Corp. plans to offer stockholders the right to subscribe to 650,793 shares of its common stock, and Northrop Aircraft proposes sale of 400,000 shares of its class A stock.

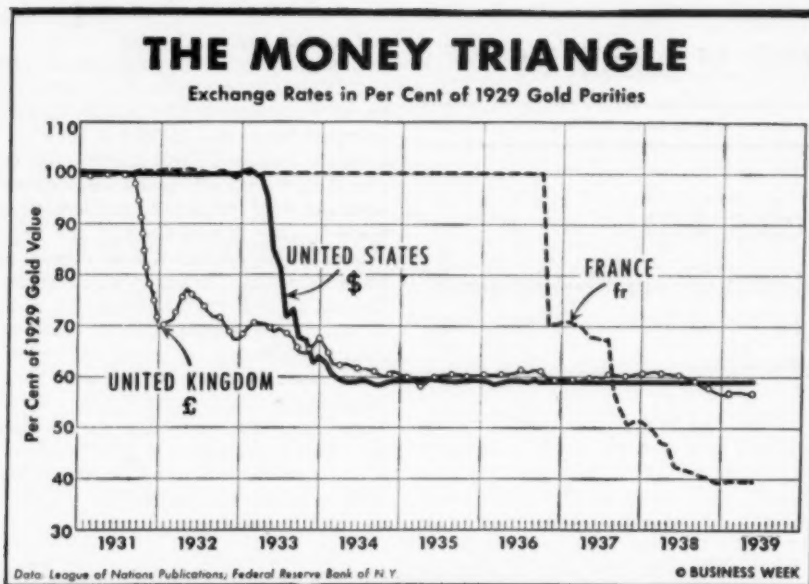
## Van Sweringen Move

**Young and associates make new tactical effort to control railroad empire.**

ANOTHER TACTICAL MOVE is now being made by Robert R. Young and associates to reassert the control which they theoretically hold over the old Van Sweringen railroad empire. Holders of 5% bonds of 1944 and the 5s of 1949 of Alleghany Corp. (top holding company) are being asked to approve certain changes in the indentures of these bonds.

The changes would allow cash deposited as collateral for the bonds to be withdrawn and used to purchase outstanding bonds in the open market. The bonds can be bought below the par value—the 5s of 1944 around 78¢ on the





dollar, and the 5s of 1949 around 68c.

In its simplest terms, the cash would buy more bonds at 68¢ and 78¢ than the same cash will now collateralize at 100¢. That, in turn, would have the effect of making the pledged securities represent a larger percentage of the remaining bonds than is now the case. If collateral behind the bonds could thereby be raised to more than 150% of the par amount of the issues, the trustees would relinquish the pledged collateral and Alleghany could vote the securities.

That would restore to Young control of the valuable Chesapeake & Ohio (control which passed to trustees for the bond issues when collateral value fell below 150% of the bonds' face value) and the other "Van" roads. But there's a catch in it.

Alleghany needs cash to carry out the plan. For one day—on March 9—the collateral behind the 5s of 1944 exceeded the required 150% by \$413,395. A test case resulted. Trustees for the junior bond issues think this money should come to them because the bonds they represent are not covered 150%. They sued to prevent the \$413,395 from being given to Alleghany to use for corporate purposes. Whether Alleghany can carry out its plan if it doesn't receive the cash remains to be seen.

## FINANCIAL ANGLES

### Cash for Members

IT REQUIRES no painstaking study to discover that brokers are deep in red ink during these days of 350,000-and 400,000-share trading on the New York Stock Exchange (it reputedly takes between 750,000 and 1,000,000 shares a day for them to break even). It's no

secret that members trade a little for themselves in an effort to make ends meet. But, after July 1, they won't be allowed to do any trading on margin. When Big Board officials launched roundtable conferences with the new Securities and Exchange Commission chairman, Jerome Frank, this week, it was hoped the rule could be modified. But it was no go. If members want to speculate, they must do it on a 100% cash basis. It wasn't so long ago that the SEC terminated the "free ride" or "day-light" trading whereby members closed out transactions before they were cleared, thereby avoiding the necessity of putting up any margin whatever. So times get tougher and tougher around Broad and Wall!

### No Quarter for Bears

THE NEW YORK STOCK EXCHANGE for years has published monthly reports on the short interest (the total number of shares short at the end of the month, not total short selling during the month). Several months ago it began to report at the end of the month the short interest in individual stocks in which the bears seemed most interested. Now the SEC has started to make weekly reports—including short sales by exchange members for their own account. Also, the SEC is reporting daily on short selling by means of the odd-lot market. It's only a brief step to daily reports on all short dealings—and there still are many who will recommend labeling each short sale right on the ticker tape so everybody will know, minute by minute, what the bears are doing.

### Fewer Tires Shipped

BUSINESS OF THE TIRE manufacturers in April didn't quite maintain the high March rate but continued far ahead of the comparable period in 1938. Ship-

ments of pneumatic casings, the Rubber Manufacturers Association reports, were 4,356,000 units in April, exceeded only twice in the last 20 months. Automobile manufacturers took only 1,529,000 in April, against 1,747,000 in March. However, replacement tire sales to dealers rose to 2,736,000, against 2,719,000 in March. April replacement tire sales were, in fact, the best since last September. Exports slackened to 90,792 tires, against 116,206 for the previous month.

### Coffee Record

BECAUSE AMERICANS are drinking more coffee, this will be a banner year in coffee consumption. Already, disappearance figures for the first 11 months of the crop year (July through May) almost equal those for the entire previous crop year. And when June's record becomes known, it is expected to better the previous banner year, 1935-36, when 13,161,544 bags were consumed in this country. In addition, Brazil, the world's biggest coffee producer, is regaining her lost export market since she shut down the coffee umbrella of crop destruction held over the heads of competing countries (*BW—Nov 6 '37, p. 56*). In the last 11 months, she exported 184,000 bags more coffee than she did in the previous full year. And indications are that she will surpass her 1933-34 record, which but for 1930-31 (when we swapped 50,000,000 bushels of wheat for 1,500,000 bags of coffee), was the best ever.

### Naval Stores

TO PREVENT market prices of naval stores (turpentine and rosin) from slipping further, the Commodity Credit Corp. has suspended sales of its loan stocks to dealers. Formerly, under a contract, the dealers were required to purchase 50% of their requirements from the government lending agency. But poor demand pushed market prices below loan values. Hence the Commodity Credit will not resume selling until the market can once again right itself.

### Dealers to Register

EVER SINCE THE DEMISE of the Blue Eagle nullified their old fair-trade association, over-the-counter dealers have been trying to set up a new group for self-regulation under the watchful eye of the Securities and Exchange Commission. For some time there have been few points of disagreement (*BW—Apr 1 '39, p. 22*). Now, at last, it seems to be in the bag. The SEC has given way on two vital points—the fees to be charged and the matter of paid personnel. So governors of the Investment Bankers Conference this week voted to register under the Maloney Act (the amendment to the securities law which permits self-governing associations). Name will be changed to National Association of Securities Dealers. Membership of local associations all over the country

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in this national body will be sought. It marks the realization of a fond dream for B. Howell Griswold, Frank Bonner, Nevil Ford, John Starkweather, and many more of the I.B.C. boys—not to mention H. H. Egly who left his job with Dillon, Read & Co., investment bankers, to join the SEC and take charge of over-the-counter matters.

### Propping the Pound

ENGLAND'S EFFORTS to prevent money from flowing abroad for investment in foreign securities recently have been the most intensive witnessed since devaluation of the pound in the autumn of 1931. Desirous of cooperating, New York Stock Exchange firms' representatives doing business in London got together the other day. They notified the British fiscal authorities that they will no longer distribute lists quoting dollar securities and commenting on American issues. Moreover, when they do find it necessary to communicate with their clients, the letter will bear the notation that "the information presented above is not to be taken as an invitation to clients to increase their holdings of dollar securities."

### Customers' Brokers

JUST ABOUT EVERYBODY who occasionally buys and sells securities is familiar with the customers' man—the fellow, employed by the brokerage house, who handles public orders. And most people who follow the markets know that customers' men are tired of that name (*BW—Apr 29 '39, p. 46*). This week their New York association held its first annual meeting, adopted a constitution, and voted to adopt the name of customers' brokers. Of course they're not brokers because they don't collect any fees—their bosses do that. But the name they had been considering, registered representatives, seemed a bit unwieldy.

### Export Subsidy Costs

HOW MUCH DOES IT COST the government to subsidize exports of a commodity? So far, only one comprehensive experiment has been tried by the United States—the current season's exports of wheat. From July 1, 1938, to May 16, 1939, 109,000,000 bu. were shipped, and of these, about 86,500,000 bu. were subsidized. Cost of subsidized exports was about 25¢ per bushel, or about \$22,000,000. This outlay, according to Sec. Wallace, has been responsible for maintaining the Chicago price of wheat 15¢ to 30¢ a bu. above the Liverpool market parity. The farmers of the United States, he figures, have profited by at least \$70,000,000, which would mean that farm income has been boosted \$3 every time the Treasury spent \$1 on the export subsidy program for wheat. The argument can be carried one step further: the domestic consumer pays the difference.



## What happens when a banker writes—"Loan Approved"

Then money begins to move. Industry quickens. Trade picks up. Sales of manufactured goods and farm produce increase. More men obtain jobs.

Bank loans play an essential part in the nation's prosperity. The banks are ready and eager to make this part even greater—to advance more credit to sound enterprises.

Bank of the Manhattan Company has been active in this service throughout 139 years—making loans to individuals, to companies and to government.

### The Worker says: "I have a steady job"

Bank credit makes jobs.

The borrower buys equipment. The money he pays for equipment purchases is distributed in large part as wages.

This aid to employment extends back step by step through retailers, wholesalers and manufacturers to producers of raw materials, transportation services and insurance companies.

More active turnover of working capital calls for more man power—thus creating steadier and increased employment.

### The Manufacturer says: "Now I can increase my operations"

A loan may enable a manufacturer to replenish stocks which have been sold but for which cash has not been received.

The loan may permit him to install new and improved equipment so that he can handle more orders.

Loans are used also to carry accounts receivable, thus releasing the borrower's capital for other profitable operations.

The warehouse loan, made on a warehouse receipt for commodities or finished goods, increases capital turnover through bank credit.

\* \* \*

There are many ways in which a loan may help your business increase profits. You are invited to write or call.

## BANK of the MANHATTAN COMPANY



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## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### British Industry Near Peak

**Armament boom causes fear of labor shortage, and inquiries are reaching U. S. and Canada for materials. All Europe is asking for machinery.**

WITH THE SPOTLIGHT on the British royal visit in the United States, executives throughout the world forgot war alarms this week, looked over the record of the last five weeks of comparative diplomatic calm, and found to their surprise:

(1) That British industrial activity, even now far ahead of the 1929 high, is likely to reach a new all-time peak by the end of June or during the third quarter of this year.

(2) That British executives, aware that they will be face to face with an acute labor shortage by the end of the year, are already making inquiries in Canada and the United States for materials to sustain the huge armament program which must be pushed at a steadily accelerated rate.

(3) That all Europe is asking for machinery, in many cases on terms satisfactory to the exporter, despite the fact that executives realize the lull in tension is only temporary.

(4) That Japan, through maneuvers in South China ports where foreigners have special privileges, is testing out their opposition before driving for a showdown on full Japanese control of the International Settlement in Shanghai; and that the opposition has been unexpectedly strong.

(5) That expectation of price rises in Europe due to a developing business boom is likely to spread to the great raw-material-producing countries, make them increasingly good market prospects.

(6) That a good deal of profitable business is being conducted even in countries most directly involved in the war scares, that this is bound to react favorably on the American market as the foreign boom—stemming from growing arms orders—gathers momentum.

#### Russian Policy Clear

Moscow (Cable)—In London and Paris, observers see a bar to an alliance with Russia in the refusal of the Baltic states to accept a guarantee of their frontiers. Wishful thinkers in Rome and Berlin, speculating on Molotov's speech, are pleased. They think they detect "insurmountable obstacles" between the Soviet Union and the "democracies." Commentators everywhere fear that be-

hind this is the old bogey of Soviet-German *rapprochement*.

But those who know Soviet Russia cannot speculate blithely on the possible turns and twists of the policy—not because censorship forbids—but simply because the outlines of Soviet foreign policy are crystalline clear and consistent. The white thread running through Soviet relations with foreign countries has been the desire for peace—both economic and political. This is not altruism, but reflects a bare philosophy of self-preservation.

The Kremlin is willing to extend the hand of friendship to any nation that desires peace. Thus Molotov's hint that the Soviet is willing to improve trade

relations with Germany is a gesture showing Moscow will maintain peaceful economic relations with the Third Reich if only the Fuehrer sheathes his sword.

#### Business Cheerful

LONDON (Cable)—Optimism is the current mood of English business. If there was concern over the delay in conclusion of the pact with Soviet Russia, it has been quickly dispelled by the belief that in the long run an alliance with the Soviets is inevitable.

The impetus given to business activity by armament spending, and by the continued confidence that swells as each day passes without international incident, is reflected in the May unemployment figures, issued this week. The Ministry of Labor reports that there were 152,112 more gainfully employed this month than in April, and places the total unemployed at 1,492,000, as compared with 1,799,000 a year ago.

The text of the long-awaited Ministry of Supply Bill, which will be a long step towards putting Great Britain on a quasi-war economy basis, has been issued. Under it the minister may secure priority and requisition output for government orders; may requisition storage facilities; and may even fix prices.

To facilitate administration with this law, the Federation of British Industries has appointed a special committee to act

### Mexico Pays an Old Debt



Last week Mexico's Foreign Minister General Eduardo Hay (right), handed over to U. S. Ambassador Josephus Daniels a check for \$1,000,000—Mexico's initial payment for the settlement of claims on American-owned property expropriated since 1927 in Mexico's agrarian pro-

gram. Annual payments of \$1,000,000 will be made until the total claim (more than \$10,000,000) is met. Last week, too, negotiations were again under way in Mexico between Donald Richberg and Mexican authorities for settlement of the controversy over expropriation of U. S. oil land.

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as a liaison with the government. Compliance will be kept on as voluntary a basis as possible; compulsion will be used only in an emergency against a possible recalcitrant minority.

### Main Canadian Laws

OTTAWA (Business Week Bureau)—Apart from the bill ratifying the United States-Canada trade pact, the outstanding measures passed by Parliament in the session just ended were those to aid Canadian agriculture, and the bill to set up a central mortgage bank to facilitate debt adjustment.

The agricultural program included continuance of the guaranteed initial wheat price, but at the rate of 70¢ No. 1 Northern, Fort William, instead of 80¢ as for the present-year crop. Another measure provides a bonus of up to \$400 for farmers with crop failures.

The most contentious legislation of the session was the bill to create a state-controlled central mortgage bank. Supervised by Graham Towers, governor of the Bank of Canada, it will help mortgage and loan companies write down mortgage indebtedness. Mortgages up to \$7,000 may be adjusted on the basis of 80% of present appraised value, with interest limited to 5%. The government has provided \$50,000,000 to share the loss from write-downs with private institutions on a 50-50 basis.

### Canadian Arms Pickup

Despite continuing Bren inquiry and new restrictive laws, armament orders pile up.

MONTREAL (Business Week Bureau)—Despite the hampering effect on further armament awards, from the seemingly interminable investigations into the Bren machine gun contract placed with the John Inglis Co. of Toronto, Canada's new armament industry is on a much firmer basis than six months ago.

Indicative of the more established outlook, at least for airplane production, is the decision of Aluminum Co. of Canada, subsidiary of Aluminum, Ltd., to construct a \$2,000,000 plant in Ontario, which will be engaged almost entirely in producing aluminum parts for airplanes. A year ago, the company planned to construct only an addition to its Toronto fabricating plant.

Canadian Car & Foundry is now employing some 600 men on airplane work. Six months ago only 185 men were employed on airplanes. Since then, in addition to the bomber order for the British government, to be shared by six Canadian companies, Canadian Car has received a separate order from the British government for 40 Hawker Hurricane first line fighter planes, lighter but swifter than the big bombers. Also the company this past winter has built 11



## Lena, the loan shark, quits cold—

LENA was as honest a girl as ever told her right age—and had a lovely disposition, even on Mondays. But after the office manager put Lena in charge of the stamp box, she developed dithers.

There was Harry, who air-mailed a letter to his girl every day, and borrowed 9¢ in postage every other day. The salesmen got casual loans of twos and threes from Lena. Joe, the office boy, addicted to clipping coupons and sending stamps, often owed Lena plenty. Then the week before Christmas, the president's secretary requisitioned 298 threes for the boss's Christmas cards . . . The first of the year found Lena behind \$31.19—and behind the eight ball with the office manager.



So the girl got grim and started in to collect her stamp loans. She gathered more alibis than Johnstown in the Preakness. She even braced the President, who applauded her conscientiousness but was out of small change at the time. Collecting became a crusade with her. And the payoff came when Joe called her "Lena, the loan shark." Lena broke down

in tears and threw up her job . . . But the office manager smoothed things over with (a) a moratorium, and (b) a Postage Meter.

Lena just loves the Postage Meter. Nobody borrows stamps any more—because there aren't any. An attempt to pass out a personal letter on company postage now gets a raspberry frappe. The Company gets the postage it pays for, and only pays for the postage it gets.

There is no reason why your office should limp along without the Pitney-Bowes Meter. It does away with old fashioned sticky stamps, prints postage, postmark and an advertising slogan mechanically, positively and rapidly. It saves mailing time, cuts postage costs. It never runs out of postage denominations. It seals envelopes as it prints postage. Metered postage can't be borrowed, sold or traded. If any bold, bad burglar ever cracked your Postage Meter, he would get nothing but a little healthful exercise. You just can't lose with a Pitney-Bowes Meter, and you can save postage! There are models for every office, large or small. Get a demonstration in your own office on your own mail—just call the nearest office of The Postage Meter Co.

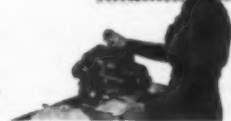
**FREE** to business mail users—the POSTAGE COMPUTER. Pocket size, easy to use, invaluable. Shows instantly postage costs all classes of mail; parcel post all zones up to 24 lbs.; with digest of important postal information. Write on your business letterhead.

## THE POSTAGE METER Co.

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PITNEY-BOWES

Branches in principal cities . . . Consult your telephone directory  
IN CANADA: The Canadian Postage Meters & Machines Co., Ltd.





Grumman 2-seater fighter airplanes, complete with British-made engines, and five more are ready for installation of engines.

A complete airplane, the "Gregor," which Canadian Car engineers have developed, is now being tested by the Canadian government. This company also has developed and is producing a small, powerful aircraft engine—the first to be made entirely in Canada—of 200 h.p. radial, 7-cylinder aircooled type, suitable for training and private airplane purposes.

The \$10,000,000 British government order for Handley-Page bombers of the Hampden type, which was arranged late last year as an "experimental" order, is being handled through a central company, which will assemble parts manufactured by six airplane producing companies. The six companies, now about ready to get into production, were to contribute a total of \$1,000,000 to the central company, with the banks advancing an additional \$250,000.

### Gun Probe Holds Up Orders

Orders for shell parts, guns of various types, and armaments and munitions business, other than airplanes, have been held up by the Canadian government inquiry into the Bren gun contract, and the political squabbles that have ensued, and which already have resulted in new legislation on future Canadian government contracts that may have a hampering effect. The Bren gun contract has been investigated by a government commission, investigated by a Parliament committee, and when the Parliament inquiry seemed ended, the deputy minister of defense issued a verbal blast, denouncing his critics as traitors, and thus assuring continuance of the inquiry during the next session of Parliament.

The new legislation, put forth by the government as its defense against criticism, provides that on non-competitive contracts awarded by the Canadian government maximum profit will be limited to 5% of the capital employed in performance of the contract. Unless the government dodges the provisions of this new legislation, by going through a form of asking for competitive bids where specifications must be kept secret, Canadian industrial companies say orders for special equipment, where secrecy must be maintained, will have to be placed by the Canadian government with United States or other outside firms. The new Canadian legislation, however, does not apply to orders placed by the British government.

### How Arms Outlay Is Distributed

Much of the Canadian government business, some of which was to supplement British orders, has been held up. The vote for this coming year, by the Canadian Parliament, was \$63,500,000, a record peace-time total. Some of the new Canadian government armament money will be for munitions, to be manufactured in Canada. Engineering works contem-

plated will cost \$4,000,000, mostly going to Canadian companies. Some \$12,000,000 is to be spent, mostly in Canada, for new airplanes, and another \$2,000,000 for training planes. The Canadian motor industry will get between \$4,000,000 and \$5,000,000. Of the \$7,000,000 to be spent on capital account, mostly for coastal defense (including anti-aircraft guns), possibly half will be spent in Canada, with the balance (such as for anti-aircraft guns) outside, principally in the United States. The coastal defense expenditures will exceed \$4,000,000.

## Pan-America Sales Up

Germany passes peak, at which it had barely half the volume held by U.S.

THOUGH UNITED STATES executives are still eyeing German and Italian sales methods in Latin America closely, the bogey of "unbeatable" German competition south of the Rio Grande has begun to fade.

There are more United States business men in South America this year than for a long time, and they are finding a lot of business which they hadn't discovered before, or which they are getting now because Europe is too busy at home to handle promptly. What's more,

they are finding that our radio programs are generally better liked and much more numerous, and the United States is still a popular customer. Even in Mexico, where the oil controversy is not yet settled, trade is picking up this spring.

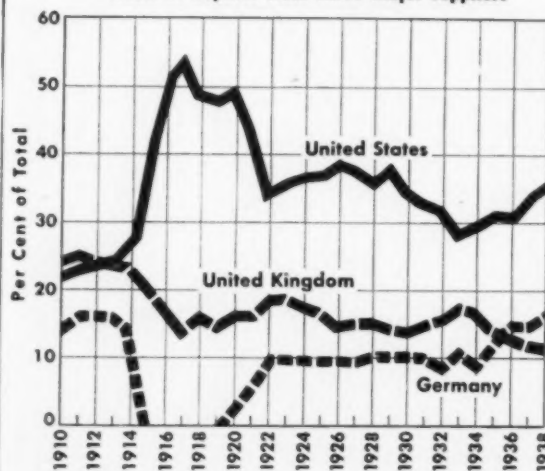
Preliminary statistics indicate that German trade with Latin America reached a post-war peak in 1938, though even then Germany had barely half the volume of trade held by the United States (see chart). Official German trade returns show a drop of more than 27% in exports to the 20 Latin American countries during the first two months of 1939 when compared with last year, while United States exports declined only 19%. Since March, United States shipments have pushed ahead of last year.

### U. S. Becomes Better Customer

What encourages Latin Americans is that sales to the United States this year are running well ahead of last year, which means that as the year progresses they are going to have more dollars to spend for automobiles and radios, and modern machines for their factories. Argentina alone boosted its exports to the United States nearly \$6,000,000 in the first three months of 1939, due to the better demand for wool, hides, skins, and linseed.

## LATIN AMERICA'S BIGGEST SUPPLIERS

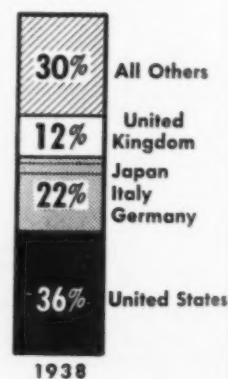
Trend of Imports from Three Major Suppliers



Data: U. S. Department of Commerce

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How Democracies and Totalitarianism Shared the Business



Five years ago when alarmists raised a cry that Japan was running away with the Latin American market, BUSINESS WEEK charted the course of Latin-American imports, proved that rumors were exaggerated. More recently, Germany has been the bogey man, but despite the fact that the Reich has made spectacular gains in a few markets like Brazil,

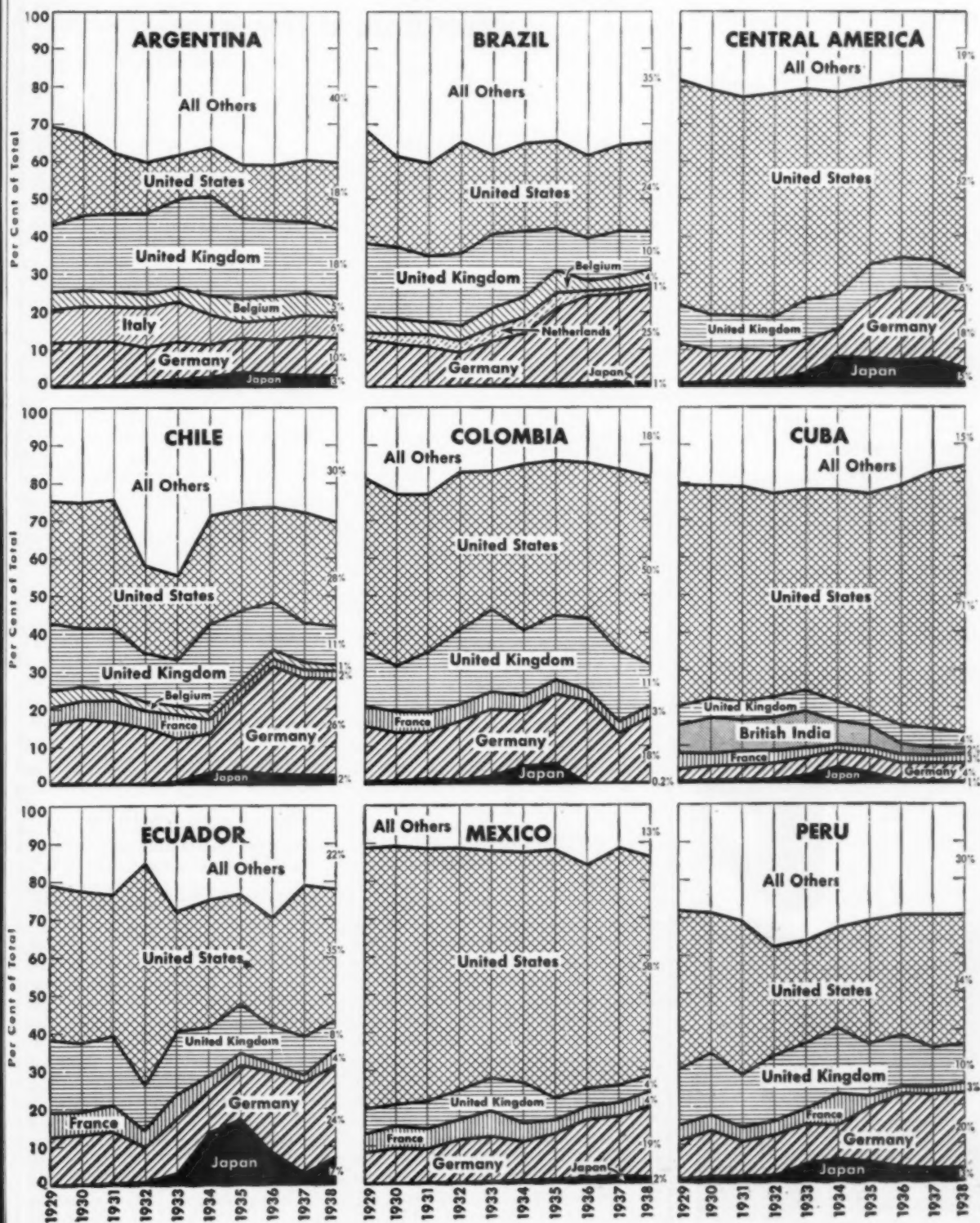
the United States still sells Latin America more than one-third of all its imports, which is more than all the three totalitarian states—Germany, Italy, and Japan—supply. But it is significant that Germany has supplanted Britain in second place, and that almost all of Germany's gains in every market have been at the expense of the British.



# WHO SELLS TO LATIN AMERICA

Markets are shifting, but the United States is still Latin America's biggest supplier. Germany's gains have been largely at the expense of Britain — are greatest in Brazil, Colombia, and Mexico.

Imports—Per Cent of Total



1938 partly estimated

© BUSINESS WEEK

## NEW McGRAW-HILL BOOKS

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## Business Week

## Advertisers in This Issue

June 10, 1939

THE ADDRESSOGRAPH-MULTIGRAPH CORP. ....29  
Agency—REINCKE-ELLIS-YOUNGREN & FINN, INC.

ALLIS-CHALMERS MANUFACTURING CO. ....2nd Cover

ALUMINUM CO. OF AMERICA ..... 9  
Agency—FULLER & SMITH & ROSS, INC.

AMERICAN SURETY CO. ....36  
Agency—ALBERT FRANK-GUNTHER LAW INC.

BANK OF NEW YORK ..... 1  
Agency—DOREMBUS & CO.

BANK OF THE MANHATTAN CO. ....45  
Agency—NEWELL-EMMETT CO., INC.

BENEFICIAL INDUSTRIAL LOAN CORP. ....42  
Agency—DOREMBUS & CO.

BO-277 .....42

BOSTITCH, INC. ....40  
Agency—CHAPPELLO ADVERTISING CO.

BROWN & BIGELOW .....51  
Agency—BRONSON WEST

BURGESS BATTERY CO. ....51  
Agency—THE FENSHOLT CO.

BUSINESS WEEK .....32  
Agency—LORD & THOMAS

COCA COLA CO. ....10  
Agency—D'ARCY ADVERTISING CO., INC.

FRIGIDAIRE DIVISION  
GENERAL MOTORS SALES CORP. ....30  
Agency—LORD & THOMAS

GAYLORD CONTAINER CORP. ....22  
Agency—GARDNER ADVERTISING CO.

GEARE-MARSTON, INC. .... 6  
Agency—GEARE-MARSTON, INC.

W. C. HAMILTON & SONS .....27  
Agency—JEROME B. GRAY & CO.

HAMMERMILL PAPER CO. .... 2  
Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.

HEWITT RUBBER CORP. .... 2  
Agency—ADDISON VARS, INC.

HOTEL LENNOX .....51  
Agency—GARDNER ADVERTISING CO.

HYATT BEARINGS DIVISION  
GENERAL MOTORS CORP. ....35  
Agency—CAMPELL-ERWALD CO. OF NEW YORK, INC.

INCLINATOR CO. OF AMERICA .....24  
Agency—McFARLAND PUBLICITY SERVICE

INSURANCE CO. OF NORTH AMERICA ..... 5  
Agency—GEARE-MARSTON, INC.

INTERNATIONAL HARVESTER CO., INC. ....19  
Agency—AUBREY, MOORE & WALLACE, INC.

IRON FIREMAN MANUFACTURING CO. ....31  
Agency—JOSEPH R. GERBER CO.

KIRSTEN PIPE CO. ....34  
Agency—THE IZZARD CO.

KOPPERS CO. ....25  
Agency—KETCHUM, MACLEOD & GROVE, INC.

P. R. MALLORY & CO. ....20  
Agency—THE AITKEN-KYNETT CO.

THE MARINE MIDLAND TRUST CO.  
OF NEW YORK ..... 4  
Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.

GEORGE S. MAY CO. ....4th Cover  
Agency—JIM DUFFY, INC.

McGRAW-HILL BOOK CO., INC. ....30

MONSANTO CHEMICAL CO. ....3rd Cover  
Agency—GARDNER ADVERTISING CO.

NEENAH PAPER CO. ....36  
Agency—PACKARD ADVERTISING SERVICE

NEWELL-EMMETT CO., INC. ....24  
Agency—NEWELL-EMMETT CO., INC.

PABST SALES CO. ....31  
Agency—LORD & THOMAS

PAGE FENCE ASSOCIATION .....38  
Agency—REINCKE-ELLIS-YOUNGREN & FINN, INC.

PORTLAND CEMENT ASSOCIATION .....28  
Agency—ROCHE, WILLIAMS & CUNNINGHAM, INC.

THE POSTAGE METER CO. ....47  
Agency—BRIGGS & VARLEY, INC.

PRUDENTIAL INSURANCE CO. OF AMERICA .....38  
Agency—CUTCH & FRENCH, INC.

SCOTT PAPER CO. ....37  
Agency—J. WALTER THOMPSON CO.

SENGBUSCH SELF-CLOSING INK-  
STAND CO. ....24  
Agency—HOFFMAN & YORK

SOCOMY-VACUUM OIL CO., INC. ....21  
Agency—J. STIRLING GRETCHER, INC.

SOUTHERN CALIFORNIA EDISON  
CO., LTD. ....20  
Agency—MAYERS CO., INC.

STANDARD ACCIDENT INSURANCE CO. ....25  
Agency—N. W. AYER & SON, INC.

SUTHERLAND PAPER CO. ....41  
Agency—THE L. W. RAMSEY CO.

THOMAS STEEL CO. ....42  
Agency—MEEK & THOMAS, INC.

TODD COMBUSTION EQUIPMENT, INC. ....12  
Agency—WENDELL P. COLTON CO.

WARREN WEBSTER & CO. .... 8  
Agency—WILLIAM JENKINS ADVERTISING



## THE TRADING POST

### Overbuilt?

BACK A FEW WEEKS I quoted an Illinois building materials dealer who complained that FHA had attracted so many incompetent, shoe-string speculative builders into the field that the business had become poison for the material dealers.

Now a Brooklyn (N. Y.) man thinks the building itself is being overdone. Here's what he says:

"During the boom, painters, plumbers, carpenters, and speculators became shoe-string builders. Mortgage investment companies and banks vied with each other to furnish funds. Today the funds are liberally furnished by the FHA, but sometimes not in deserving cases. We all know what happened to the boom.

"The boom situation is present today only with a more serious and dangerous aspect. The need for construction is absolutely not necessary, there being thousands and thousands of unsold homes on the market. With the so-called slum clearance and other government building schemes now going on, the round-the-corner prosperity will stay there, and one of these days it will be something more for the taxpayer to figure on."

Can it be that Brooklyn really is overbuilt?

### Add New Economics

CLASSIFIED AD in New York daily:

"Economist: American Gentle, non-eclesiastical. Pragmatic ethics in true economics. Lectures, \$250. Conferences, \$50 hour. True Economics."

### Moral Suasion

THE NEXT TIME you get an earful from Brothers Ickes, Minton, et al. about the censorship and control of the press, it may be worth while to recall that efforts to command a favorable press are not confined to any particular class or group. Politicians and governmental office-holders themselves are not above putting on the heat whenever they think they have a chance.

And now comes the Brotherhood of Railroad Trainmen, which voted at its recent Cleveland convention to bar Cleveland from the running when it selects a city for its 1943 conclave. This action makes good the trainmen's threat to stop meeting in Cleveland unless newspapers ceased printing reports of convention activities other than those officially released by the trainmen's president, Mr. Whitney.

It's a desirable convention for the city's business men: the delegates are in town for three weeks. So the city's convention bureau naturally wants to land the convention. But if it expects to get it,

it must see that the Cleveland newspapers print about the convention only what Mr. Whitney wants printed. This, no doubt, will be broadcast by Messrs. Ickes, Minton, et al., as another effort to gag or censor the press.

Or will it?

### Discretion

AN OHIO INDUSTRIAL executive poses this problem:

"It is extremely difficult to get a group of business men together and keep them lined up on a definite program, because, naturally, as a result of their varied experiences, they all have a different opinion as to what the problems are and how they should be solved. \* \* \* It is for that reason that they have been unable to present their case either to the political groups, labor, or the general public. They are handicapped also in that they are directly responsible to all the other groups and are involved to the extent that they are not free to express their individual opinions without affecting one of the other parties who might be in opposition."

The latter part of that statement cites a real problem, no less so because it so often is glossed over or ignored. In these tense times many a business man will take in private a position on some controversial matter that he would studiously avoid in public.

Frequently we hear about the "power" of the industrialist and of the danger of his using it for unsocial ends. But we are seldom reminded of the responsibilities that go with the administration of property—especially the property of others. As the custodian of large interests, the executive must be ever mindful of the effect his words and acts may have on customers, bankers, politicians, officials, competitors, labor, the press, the general public, and perhaps others.

He must keep his eyes eternally cocked in a half dozen directions at once. That is one reason why business men are so reluctant to stick out their necks on matters of public controversy. Whatever may be their individual views and however willing they may be to assume personal responsibility for their views, many of them feel that they have no right to speak out if, in so doing, they may prejudice the important interests entrusted to them.

My own mail and personal contacts with business men the country over are ample evidence of this. Perhaps this page can provide an outlet for some of those who, for one reason or another, would like to lay their ideas on the chopping block without laying their business necks along with them.

W.T.C.

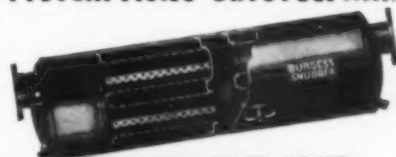


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# BUSINESS WEEK

*The Journal of Business News and Interpretation*

June 10, 1939

## Savings and Small Business

AT THE OUTSET of the Temporary National Economic Committee's hearings on savings and investment, President Roosevelt, in his "Dear Joe" letter to Chairman O'Mahoney, suggested "that a major problem of your committee will be to ascertain why a large part of our vast reservoir of money and savings have remained idle in stagnant pools." As was to be expected, there was no final answer.

The economists, for instance, suggested that savings were accumulating rapidly, but were not being invested in new plant and new equipment, and there were "idle men, idle machines and idle money" because savings were not being returned to consumption channels.

Leading industrialists, such as Alfred P. Sloan, Jr., and Owen D. Young, observed that big companies were financially self-sufficient. Hence, General Motors and General Electric were not in the market for new money; if they needed new plant or new equipment they could manage to find the funds internally (*BW*—May 27 '39, p. 17).

Small business men, on the other hand, indicated not only willingness but also anxiety to absorb the country's "oversavings". But their representatives testified that they had a hard time convincing bankers and private capitalists that they were worthy risks for longer-term capital. This testimony naturally left an impression that all that had to be done to solve the country's economic logjam was to find easy credit for men of small business. Indeed, A. A. Berle, in his proposal for capital credit banks (page 14) went so far as to suggest that some such program was essential to the well-being of the nation. And perhaps it is.

AS A RESULT, there has been a new impetus for legislation to aid the small business men—for example, the Mead bill to have the RFC guarantee loans. But before Congress leaps, it would be wise to mull over a bit of TNEC testimony. T. N. B. Hicks, Jr., manager of the Wyoming Valley Industrial Development Fund, of Wilkes-Barre, Pa., was on the witness stand, and cited the case of a small silk-throwing company which would buy additional machines if it could obtain financing at low rates.

Sen. O'Mahoney asked: "Are you satisfied that there is a market for the product of this company if it were enabled to acquire the machinery?"

Mr. Hicks answered: "The company already has the business, Senator. They are already farming it out under contract."

The Chairman: "And not doing it themselves?"

Mr. Hicks: "They want to do it themselves. They want to do it in our community."

The Chairman: "Well, if the business is being performed on contract, this financing would merely mean shifting the production from one plant to another plant?"

Mr. Hicks: "Yes, for all practical purposes. It means, on the other hand, in our particular community 300 jobs, Senator."

The Chairman: "But 300 jobs in your community taken away from some other community."

There, in less than three inches of TNEC printed testimony, is a flash of insight into the small business man's problem. It indicates first that he is willing to borrow to buy new machines. But it indicates also that his willingness to borrow does not, in and of itself, demonstrate a need for the new machines.

WHEN A SMALL COMPANY enlarges its plant capacity, it does not increase the nation's plant capacity significantly. But when a big corporation embarks on a plant expansion program, it must consider not only whether the investment will improve its immediate competitive position, but also whether it will unduly enlarge the total plant capacity in its industry. The big company, in short, is forced, by its size, to take the universal view—to consider whether future business warrants the expansion.

Congress should be equally careful. In the zealous desire to put savings to work, it is possible to mistake the means for the end—to go in for plant expansion for plant expansion's sake. Therefore, in devising a loans-to-small-business bill, Congress should insist that expansion loans be related to the nation's capacity to use the new equipment. A lot of small loans, unwisely made, can add up to a lot of excess plant capacity and economic trouble.

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